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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1924

No. 819

SPERRY GYROSCOPE COMPANY, APPELLANT,

vs.

ARMA ENGINEERING COMPANY

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE EASTERN DISTRICT OF NEW YORK

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[fol. 1] UNITED STATES OF AMERICA,
Eastern District of New York, ss:

SPERRY GYROSCOPE COMPANY, Plaintiff-Appellant,

vs.

ARMA ENGINEERING COMPANY, Defendant-Appellee

CLERK'S CERTIFICATE

I, Percy G. B. Gilkes, Clerk of the District Court of the United States of America, for the Eastern District of New York, do hereby certify that the foregoing is a correct transcript of the record of the said District Court in the above entitled matter as agreed on by the parties.

In testimony whereof, I have caused the seal of said Court to be hereunto affixed at the Borough of Brooklyn, City of New York, in the Eastern District of New York, this 31st day of December in the year of our Lord 1924, and of the Independence of the said United States the one hundred and forty-ninth.

Percy G. B. Gilkes, Clerk, by John A. Heavens, Deputy Clerk.
(Seal of the District Court of the United States, Eastern District of New York.)

[fol. 2] **IN UNITED STATES DISTRICT COURT**

[Title omitted]

STIPULATION RE TRANSCRIPT OF RECORD—Filed December 30, 1924

It is hereby stipulated and agreed, that the foregoing is a true transcript of the record of the said District Court in the above entitled matter as agreed on by the parties.

D. Anthony Usina, Solicitor for Plaintiff. Pennie, Davis,
Marvin & Edmonds, Solicitors for Defendant.

[fol. 3] **IN UNITED STATES DISTRICT COURT**

[Title omitted]

BILL OF COMPLAINT—Filed July 27, 1923

To the Honorable Judges of the District Court of the United States
for the Eastern District of New York.

The Sperry Gyroscope Company, a corporation duly organized and existing under the laws of the State of New York, and having its principal office in the Borough of Brooklyn, in the City and State

of New York, brings this bill of complaint against Arma Engineering Company, Inc., a corporation organized under the laws of the State of New York, and having its principal office at No. 228 Fortieth Street, Borough of Brooklyn, City and State of New York, in the Eastern District of New York, and doing business in said Borough and District, where it has a regular and established place of business and where the infringement hereinafter complained of has been and is being committed. And thereupon your plaintiff says:

1. Upon information and belief, that on the 11th day of July, 1922, Elmer A. Sperry was within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Gyroscopic [fol. 4] Apparatus" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

2. That on said 11th day of July, 1912, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvement in accordance with the then existing Acts of Congress.

3. That on or about the 18th day of June, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about the 19th day of June, 1915, in Liber E-97 on page 449 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

4. That on the 13th day of June, 1916, after duly complying [fol. 5] with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States No. 1,186,856 were issued on said application to The Sperry Gyroscope Company (the plaintiff herein), its successors and assigns, for its sole use and benefit.

5. Upon information and belief, that on the 25th day of September, 1909, said Elmer A. Sperry was within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Ships' Gyroscopic Compass Sets" not known or used by others before his

invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

6. That on said 25th day of September, 1909, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

7. That on or about the 19th day of October, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about the 20th day of October, 1915, [fol. 6] in Liber L-98 on page 373 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire, right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

8. That on the 2nd day of October, 1917, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States No. 1,242,065 were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

9. Upon information and belief, that on the 21st day of June, 1911, said Elmer A. Sperry was within the meaning of the statutes of the United States then in force the first, sole, true and original inventor of certain new and useful Improvements in "Gyroscopic Navigation Apparatus" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

[fol. 7] 10. That on said 21st day of June, 1911, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said

invention and improvements in accordance with the then existing Acts of Congress.

11. That on or about the 18th day of June, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about the 19th day of June, 1915, in Liber E-97 on page 449 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

12. That on the 5th day of February, 1918, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States No. 1,255,480 were issued on said application to The Sperry Gyroscope Company (the plaintiff herein), its successors and assigns, for its sole use and benefit.

13. Upon information and belief, that on the 21st day of June, 1911, said Elmer A. Sperry was within the meaning of the statutes of the United States then in force the first, sole, true and original inventor of certain new and useful Improvements in "Gyroscopic Compasses" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of [fol. 8] the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

14. That on the said 21st day of June, 1911, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

15. That on or about the 18th day of June, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about the 19th day of June, 1915, in Liber E-97 on page 449 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

16. That on the 17th day of September, 1918, after duly complying with the requirements and conditions of the statutes of the United

States in such case made and provided and then in force, Letters Patent of the United States, No. 1,279,471, were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

[fol. 9] 17. Upon information and belief, that on the 31st day of August, 1914, said Elmer A. Sperry was, within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Multiple-Turret Target-Indicators" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

18. That on the said 31st day of August, 1914, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

19. That on or about June 19, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about June 20th, 1915, in Liber E-97 on page 449 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

[fol. 10] 20. That on the 4th day of March, 1919, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States, No. 1,296,439 were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

21. Upon information and belief, that on the 3rd day of February, 1915, said Elmer A. Sperry was, within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Navigational Instruments" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this

country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

22. That on the said 3rd day of February, 1915, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

23. That on or about the 18th day of June, 1915, said Elmer A. Sperry duly executed an instrument in writing, recorded in the [fol. 11] United States Patent Office on or about the 19th day of June, 1915, in Liber E-97 on page 449 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

24. That on the 15th day of April, 1919, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States, No. 1,300,890, were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

25. Upon information and belief, that on the 7th day of August, 1917, Harry L. Tanner was within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Damping Means for Gyro Pendulums" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

[fol. 12] 26. That on said 7th day of August, 1917, said Harry L. Tanner duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

27. That on or about the 4th day of August, 1917, said Harry L. Tanner duly executed an instrument in writing, recorded in the United States Patent Office on or about the 7th day of August, 1917, in Liber Z-103 on page 94 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

28. That on the 10th day of February 1920, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States No. 1,330,501 were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

29. Upon information and belief, that on the 27th day of February, 1919, said Harry L. Tanner was within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Electrical Distribution Systems for Gyroscopic Compasses" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

30. That on said 27th day of February, 1919, said Harry L. Tanner duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

31. That on or about the 25th day of February, 1919, said Harry L. Tanner duly executed an instrument in writing, recorded in the United States Patent Office on or about the 27th day of February 1919, in Liber L-106 on page 271 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope Company, which instrument plaintiff is ready in court to produce.

32. That on the 17th day of May, 1921, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters

Patent of the United States No. 1,378,293 were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

[fol. 14] 33. Upon information and belief, that on the 17th day of May, 1917, said Elmer A. Sperry was within the meaning of the statutes of the United States then in force, the first, sole, true and original inventor of certain new and useful Improvements in "Correction Device for Repeater Compasses" not known or used by others before his invention or discovery thereof, and not patented or described in any printed publication in any country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent of the United States therefor, and not in public use or on sale in this country for more than two years prior to said application, and not patented in a country foreign to the United States on an application filed by himself or his legal representatives or assigns more than twelve months prior to the filing of his application for Letters Patent in this country, and that said invention had not and has not been abandoned to the public.

34. That on said 17th day of May, 1917, said Elmer A. Sperry duly made and filed an application in writing with the Commissioner of Patents of the United States for Letters Patent for said invention and improvements in accordance with the then existing Acts of Congress.

35. That on or about the 15th day of May, 1917, said Elmer A. Sperry duly executed an instrument in writing, recorded in the United States Patent Office on or about the 17th day of May, 1917, in Liber H-102 on page 346 of Transfers of Patents, assigning to The Sperry Gyroscope Company, the plaintiff herein, the entire right, title and interest in and to said invention, and authorizing and requesting the Commissioner of Patents to issue any Letters Patent which might be granted for said invention to The Sperry Gyroscope [fol. 15] Company, which instrument plaintiff is ready in court to produce.

36. That on the 10th day of January, 1922, after duly complying with the requirements and conditions of the statutes of the United States in such case made and provided and then in force, Letters Patent of the United States No. 1,403,062 were issued on said application to The Sperry Gyroscope Company, the plaintiff herein, its successors and assigns, for its sole use and benefit.

37. That plaintiff has, ever since the grant of said Letters Patent as aforesaid, been and is now, the true, lawful, sole and absolute owner of said Letters Patent and possessed of the entire right, title and interest in and to the same and to the inventions and Improvements set forth therein, together with all the rights to compensation accrued, or which may accrue, by reason of infringement of said Letters Patent, and to the exclusive right to make, use and vend the said inventions and improvements set forth in said Letters Patent throughout the United States and the Territories thereof.

38. That the inventions described and claimed in said Letters Patent are of great value and importance; that plaintiff has spent large sums of money upon the development and perfection of the same and for the purpose of rendering them of great utility to the public; that in consequence of the great value and importance of the inventions and of the expense and efforts of plaintiff in and about the same, the said inventions have gone largely into use and have been manufactured and supplied by plaintiff to the United States Navy, and to private persons and have been of large profit to plaintiff; that the exclusive rights of plaintiff in respect of said inventions and Letters Patent have been generally acquiesced in, acknowledged and respected and that but for the unlawful acts of this defendant and [fol. 16] others acting in collusion with it, plaintiff would be in the exclusive enjoyment of the rights and privileges granted by said Letters Patent.

39. That investigations and experiments conducted by said Elmer A. Sperry and his assistants in developing the inventions covered by the aforementioned patents were of the most technical and difficult character, and necessitated the construction and testing of a vast amount of exceedingly delicate, complicated and costly apparatus. To determine the *causes* of faults and deviations in gyroscopic compasses, and then to invent means to overcome such faults, required extensive research of the most difficult character. The inventions and experiments leading to the development of a practical operative gyroscopic compass to the extent indicated by the aforementioned patents extended over a period of several years, and the expense of such investigations, experiments and development amounted to several millions of dollars.

40. That since plaintiff became the owner of said Letters Patent and said inventions as aforesaid plaintiff has been in constant exercise of all rights and privileges thereby granted, and that the business of plaintiff has been greatly interfered with by the infringement of which complaint herein is made, and that said inventions have been of great benefit to plaintiff, to the public and to the United States, and particularly to the United States and all its allies in the war against Germany and its allies, the gyroscopic compasses of plaintiff being the only gyroscopic compasses used in the navies of the United States and all its allies in said war; that plaintiff has expended large sums of money in developing and advertising such compasses and is now and has been at all times since 1911 ready, [fol. 17] willing and able to fully supply the market with such compasses.

41. That defendant, well knowing the premises, but with intent to injure plaintiff, to interfere with its business and to deprive it of the profits derived and to be derived from making, using and selling said inventions has within the Eastern District of New York and elsewhere subsequently to the grant of said Letters Patent and within six years next preceding the filing of this complaint without

the license or consent of plaintiff made, used and sold and caused to be made, used and sold apparatus embodying the inventions described and claimed in the said Letters Patent, thereby infringing the exclusive rights of the plaintiff and receiving large gains and profits; specifically that the defendant has made and sold and contracted to make and sell to the United States Navy Department subsequently to the dates of said patents and within six years next preceding the filing of this complaint, to wit; during the years 1918 to 1923, a number of gyroscopic compasses in infringement of the aforesaid Letters Patent without license or consent of plaintiff and against the positive protest of plaintiff; and that defendant is preparing and threatening by advertisements directed to the public and otherwise to infringe said patents more extensively by the manufacture and sale of said infringing apparatus both to the public and to the United States Navy Department and thus to inflict further injury, damage and loss upon the plaintiff; but to what extent the defendant has profited by reason of the aforesaid infringement plaintiff is ignorant and cannot set forth, and prays an account thereof.

42. And further plaintiff says, that the subject matter of all said [fol. 18] Letters Patent is capable of conjoint use and is in fact conjointly used in gyroscopic compasses and that defendant has conjointly used the same in the gyroscopic compasses which it has made and sold and is threatening to make and sell to the United States Navy Department [and to the public.]

32. That plaintiff is prepared and ready to supply all demand for gyroscopic compasses and other apparatus embodying the said inventions; and that by reason of the acts of this defendant, plaintiff has been and is being damaged in and by the loss of profits on sales which it would otherwise make and royalties or license fees for the making, selling or using of said apparatus and in other ways; that the infringement of defendant threatens to destroy the entire business of plaintiff in said patented inventions, to undermine its good will, to damage its standing in the shipping world and thus to damage plaintiff to the extent of its large investment in said business and the profits thereon to which it is entitled.

44. That plaintiff has caused all compasses or other apparatus made and sold by it and embodying the aforesaid inventions to be marked "patented" together with the day and year of the patents involved as notice to the public of plaintiff's rights under said patents; and that this defendant has been in other ways fully advised and notified of plaintiff's said patent rights.

45. Upon information and belief, that D. M. Mahood, President and Arthur P. Davis, Secretary & Treasurer of the defendant company, are the chief organizers and owners of defendant; that immediately prior to the organization of defendant these two parties were employed by plaintiff in positions where they acquired familiarity with its confidential engineering and development work and with [fol. 19] plaintiff's patent matters then pending relating to its gyroscopic apparatus, that in defendant's infringing apparatus it has

fraudently employed the information thus obtained, and that but for such fraudulent use of plaintiff's engineering secrets and confidential work, defendant company would not have been able to produce its infringing apparatus.

46. Upon information and belief, that defendant has been guilty of unfair competition with plaintiff both in the use and disclosure of confidential information referred to in paragraph 45 above, and also in this,—that since the aforesaid D. M. Mahood and Arthur P. Davis, President and Secretary and Treasurer of defendant company respectively, have left the employ of the plaintiff, they have taken advantage of the knowledge of plaintiff's customers which they acquired during such employment and have sought to undermine plaintiff's reputation with such customers and to damage plaintiff's good will and standing in the shipping and financial world by false and misleading representations.

47. That plaintiff fears and has reason to fear that unless defendant be restrained by a writ of injunction, issuing out of this court, it will continue its aforesaid infringement and will deprive plaintiff still further of the gains, profits and advantages which would otherwise accrue to it.

48. Therefore, plaintiff prays that defendant be compelled by a decree of this court to account for and pay over to plaintiff all such gains and profits and the value of such advantages as have accrued to it, the said defendant, by reason of the infringements herein complained of, and all such gains and profits as would otherwise have accrued to plaintiff, and to pay to plaintiff the damages which [fol. 20] it has sustained by reason of the said infringements; and that because of the willful nature of said infringements the damage be increased threefold, and that defendant be compelled to deliver to plaintiff all apparatus or parts of apparatus containing or made in accordance with the said patented inventions and in the possession of said defendant.

And that defendant, its servants, clerks, attorneys, agents, workmen and employees be perpetually enjoined and restrained, by a writ of injunction issuing out of and under the seal of this Honorable court, from directly or indirectly making or causing to be made, using or selling any apparatus described and claimed in said Letters Patent and from in any manner employing or practicing the inventions or improvements described and claimed therein, or any part thereof; and that defendant be decreed to pay the costs of this suit; and that plaintiff have such other and further relief as the equities of the case may require.

And that defendant, its servants, clerks, attorneys, agents, workmen and employees be similarly enjoined and restrained from repeating or continuing the acts of unfair competition above recited and specially from using or disclosing any secret or confidential matters which were acquired by the aforesaid D. M. Mahood and Arthur P. Davis while in the employment of plaintiff.

And further plaintiff prays that an injunction be granted pending the trial of this suit enjoining the defendant, its servants, clerks, attorneys, agents, workmen and employees from making, using or selling the infringing apparatus and from using or disclosing any of the secret or confidential matters which were acquired by the aforesaid D. M. Mahood and Arthur P. Davis while in the employment of plaintiff.

[fol. 21] To the end, therefore, that the defendant may, if it can, show why plaintiff should not have the relief hereby prayed and full, true, direct and perfect answer make, but not under oath, answer under oath being hereby expressly waived, according to the best of its knowledge, information and belief, to the several matters hereinbefore averred, as fully and particularly as if the same were here repeated and the defendant specially interrogated as to each, may it please Your Honors to grant unto plaintiff a writ of subpoena ad respondendum, issuing out of and under the seal of this Honorable Court directed to said defendant commanding it to appear and make answer to this bill of complaint and to perform and abide by such order and decree herein as to the court may seem just.

The Sperry Gyroscope Company, by Elmer A. Sperry, President. D. Anthony Usina, Solicitor for Plaintiff, No. 71 Broadway, New York City, N. Y. Herbert H. Thompson, Counsel for Plaintiff, No. 36 Flatbush Avenue Extension, Brooklyn, New York.

[fol. 22] Sworn to by Elmer A. Sperry; jurat omitted in printing.

[fol. 23] IN UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF MOTION FOR BILL OF PARTICULARS

D. Anthony Usina, Esq., 71 Broadway, New York.

SIR: Please take notice that on Wednesday, October 17, 1923, at 10:30 o'clock A. M., or as soon thereafter as counsel may be heard, at the call of the motion calendar in the court room of the United States District Court for the Eastern District of New York, at the Post Office Building, Brooklyn, New York, we shall present the annexed motion for a bill of particulars.

Respectfully, Pennie, Davis, Marvin and Edmonds, Solicitors
for Defendant, 165 Broadway, New York.

Dated New York, October 8, 1923.

[fol. 24]

IN UNITED STATES DISTRICT COURT

[Title omitted]

MOTION FOR FURTHER PARTICULARS—October 8, 1923

Now comes the defendant, Arma Engineering Company, Inc., and moves for an order of this Court, under the provisions of Equity Rule No. 20, directing the plaintiff to serve upon defendant's solicitors not later than November 17, 1923, a bill of particulars setting forth particularly and specifically the following:

1. The claims of the several Letters Patent mentioned in paragraphs 4, 8, 12, 16, 20, 24, 28, 32 and 36 of the Bill of Complaint, upon which the plaintiff will rely as being infringed by apparatus which the plaintiff alleges, in paragraph 41 of the Bill of Complaint, the defendant has made and sold and contracted to make and sell to the United States Navy Department.

2. Whether or not plaintiff claims that defendant has made, or used, or sold, or caused to be made, used or sold any apparatus alleged to constitute an infringement upon said patents, or any of them, otherwise than for and under contract with the United States, [fol. 25] and if plaintiff does make such claim, state what apparatus is referred to, for whom it was made and to whom it was sold with such accuracy as will enable defendant to identify the apparatus referred to.

3. The claims of the several Letters Patent mentioned in paragraphs 4, 8, 12, 16, 20, 24, 28, 32 and 36 of the Bill of Complaint, which the Plaintiff alleges, in paragraph 41 of the Bill of Complaint, the defendant is preparing and threatening by advertising directed to the public and otherwise to infringe.

4. All of the acts which plaintiff will allege at the trial of this cause have been committed by the defendant in preparing and threatening by advertisements directed to the public and otherwise to infringe said patents as charged in paragraph 41 of the Bill of Complaint, specifying any printed matter referred to with sufficient particularity to enable defendant to identify it.

5. All of the acts which plaintiff will allege at the trial of this cause have been committed by the defendant, which constitute the fraudulent employment of information and the fraudulent use of engineering secrets referred to in paragraph 45 of the Bill of Complaint.

6. All of the "false and misleading representations" referred to in paragraph 46 of the Bill of Complaint on which the plaintiff will rely at the trial of this cause in establishing the charge of unfair [fol. 26] competition set forth in said paragraph.

Arma Engineering Company, Inc., Defendant, by Pennie,
Davis, Marvin and Edmonds, Solicitors for Defendant.

Service of a copy of the within Notice & Motion for Bill of Particulars acknowledged this 8 day of Oct. 1923.

D. A. U., Solicitor for Plaintiff.

[fol. 27]

IN UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF MOTION FOR LEAVE TO FILE INTERROGATORIES—Filed
October 15, 1923

Please take notice that on Wednesday, October 17th, 1923, at 10.30 A. M. o'clock, or as soon thereafter as counsel can be heard, at the call of the motion calendar, in the court room of the United States District Court, of the Eastern District of New York, at the Post Office Building, Brooklyn, New York, I shall present the annexed motion for leave to file said interrogatories.

Respectfully, D. Anthony Usina, Solicitor for Plaintiff.

To Pennie, Davis, Marvin & Edmonds, 165 Broadway, New York City.

Service of a copy of the within Notice, Motion and Interrogatories acknowledged this — day of October, 1923.

— — —, Solicitors for Defendant.

[fol. 28]

IN UNITED STATES DISTRICT COURT

[Title omitted]

MOTION FOR LEAVE TO FILE INTERROGATORIES

Now comes the plaintiff and moves for leave under equity Rule 58 to file the interrogatories herein. The reason for propounding said interrogatories is that the facts thereby sought to be elicited are peculiarly within the knowledge of defendant and its officers, and that the data referred to in said interrogatories are, to the best of plaintiff's information, matters of record in the books of said defendant and in the custody of the President and Secretary thereof, to whom the interrogatories are directed.

D. Anthony Usina, Solicitor for Plaintiff.

New York, N. Y., October 15th, 1923.

[fol. 29]

IN UNITED STATES DISTRICT COURT

{Title omitted}

INTERROGATORIES BY PLAINTIFF—October 15, 1923

Now comes the plaintiff and, having obtained leave of the court to file the same, submits the following interrogatories to the defendant Arma Engineering Company, Inc., to be answered by its President, D. M. Mahood, or its Secretary, Arthur P. Davis, whichever may be more competent.

1. Have you made, used or sold, or imported for sale, a gyroscopic compass or any of the appurtenances thereof as described in a certain circular entitled "Gyroscopic Compasses and Auxiliary Apparatus, Arma Engineering Co., Inc., 228 40th Street, Brooklyn, New York, U. S. A.," and carrying on the last page the note "Bulletin No. 10—1921, Arma Engineering Co., Inc.?"

1^a. If so, produce drawings and descriptions of such compasses or appurtenances.

1^b. If not, state in what respect the gyroscopic compasses and appurtenances which you have made, used or sold differ from those disclosed in the said catalogue, explaining the differences with the aid of drawings and descriptions.

2. Have you made, used or sold, or imported for sale gyroscopic compasses or appurtenances thereof like those described in the circular [fol. 30] entitled "The Anschutz Gyro Compass with Self-steerer. Anschutz & Co., Neumühlen Bei Kiel Germany" undated, a copy of which may be seen at the office of plaintiff's counsel?

2^a. If so, submit drawings and descriptions of the same in detail.

2^b. If not, state the differences between the devices shown therein and those made, used, sold or imported for sale by you, with drawings and explanations.

3. Are you Agent in the United States for Anschutz & Co., the publisher of the circular referred to in Q. 2, as is stated on page 31 of that circular?

4. Have you a license under United States patents of Anschutz & Co. covering gyro compasses and appurtenances?

4^a. If so, have you such a license from the former owner of the patents or from the Chemical Foundation or the Federal Trade Commission under the Alien Property Act?

4^b. If you have such a license, have you availed yourself of it by making, using or selling devices coming within such patents and paying or recognizing your liability for royalties?

4^c. If you have such a license or licenses, what are the patents of Anschutz & Co. under which you have such licenses?

4^d. If you have such a license is it restricted to making the apparatus for the United States Navy, or restricted in any other way?

5. Have you made, used, sold, or imported for sale or are you engaged in making gyroscopic compasses and appurtenances answering the following specifications?

(a) The gimbal rings of the master compass provided with means for dampening the movements of the compass in the gimbals when the vessel is rolling or pitching and a suitable dampening device for [fol. 31] the binnacle mounting when the binnacle is trunnioned in the pedestal stand.

(b) Levels for quickly adjusting the compass on the meridian in starting when the direction of north is not known.

(c) A follow-up system electrically driven.

(d) The readings of the master compass card transmitted to the repeater system direct or through relays as required by means of a transmitter.

(e) The various units comprising the system by means of which the indication of the sensitive element is transmitted to the repeaters designed for ease of adjustment and cleaning without interference in the operation of the compass system and electrical contacts controlling the follow-up system arranged to allow renewal while the compass is in operation.

(f) Correction devices to correct the reading of all repeaters in such a manner that they will give true readings for all latitudes, courses and speeds of the vessel.

(g) The gyro wheels and the repeater system electrically operated by turbo generator, motor generator or dynamotor.

(h) Generating units so designed as to be safely thrown directly upon the ship's supply without starting resistance, and A. C. windings electrically separated from the ship's supply circuit.

(i) Means for alternative operation of the repeater system in case of failure of the primary method, such means to be automatic, allowing the transfer of the repeater system to the secondary method without causing an error in the indication of any repeater.

[fol. 32] (j) An alarm bell system to indicate failure of the power supply to the master compass.

(k) Repeaters so constructed as to be capable of setting by hand at the repeaters or electrically from the control switchboards.

(l) Means at the control switchboard for synchronizing the repeater system with the master, in addition to the hand setting device on each repeater.

6. In the gyroscopic compasses which you have made, used, sold, or imported for sale, have you employed the following constructions?

(a) A plurality of gyroscopes driven at equal speeds by induction motors from a common A. C. generator.

(b) A pair of gyroscopes mounted for precession about parallel axes in a frame which are connected for opposite precession.

(c) If the answer for the foregoing Q. b is in the affirmative, are said pair of gyroscopes yieldingly held in a predetermined relationship to the frame?

(d) Are the gyroscopes suspended from the frame by wire or wires in addition to the vertical guide bearings?

(e) A device for automatically correcting readings of the system to compensate for errors due to course changes.

(f) If the answer to the foregoing Q. c is in the affirmative, is

such device settable in accordance with the speed and latitude of the ship?

(g) If the answer to Q. e is in the affirmative, is the correction device [fol. 33] mounted on or controlled by the master compass?

7. Produce or secure access of an engineer to be designated by plaintiff to a gyroscopic compass with appurtenances made or installed by you.

8. To what extent and to what persons or companies interested in the building and operation of ships have you supplied copies of the circular entitled "Gyroscopic Compasses" stated to be "Bulletin No. 10" referred to in Q. 1 above?

9. Have you distributed other circulars or bulletins on the same subject, and if so, to what persons or corporations interested in shipping and shipbuilding?

9^a. If you have done so, submit copies of such additional circulars.

10. Besides the circulars referred to in the last (Q. 9), have you advertised or caused announcements to be inserted in trade papers of your agency in this country for Anschutz & Co., or has Anschutz & Co. done this with your knowledge and consent?

11. If the answer to the last (Q. 10) is yes, state what trade journals such advertisements or announcements have appeared in and produce copies of the advertisements or announcements.

12. Have you distributed or caused to be distributed in the United States circulars of Anschutz & Co. describing their gyroscopic compasses and appurtenances?

12^a. If so, produce copies of such circulars.

13. Have you by other printed circulars, advertisements or publications than the circulars and trade journals referred to above advertised your readiness to make and sell gyroscopic compasses and appurtenances?

13^a. If so produce copies of such advertisements.

[fol. 34] 14. Have you, by word of mouth or in any other way solicited orders for gyroscopic compasses or appurtenances to others in the United States than the Navy Department, or offered to supply them to such others, or stated your willingness to supply them to such others?

14.^a Have you, by word of mouth or in any other way solicited orders for the re-building of gyroscopic compasses or appurtenances on ships in the United States other than those of the United States Navy Department, or stated your willingness to re-build gyroscopic compasses or appurtenances on such ships?

15. In the gyroscopic compasses which you have made, used, sold or imported for sale, have you employed the following constructions?

15^a. Are corrected compass readings transmitted directly or indirectly from a follow-up device on the master compass?

15^b. If you have employed such a follow-up device, is it actuated directly or indirectly from contacts operable by the relative movement of the gyroscopic or sensitive element and the follow-up element?

15^c. If indirectly operated, is a relay transmitter employed which has a power motor actuated from the contacts referred to in the last question (15^b), which motors actuate one or more transmitters?
 by a central member and for the gyroscopic element which is guided to said element?

15^e. Alternative sources of electrical supply for the compass?

15^f. If the answer to question (15^e) is in the affirmative, are [fol. 35] automatic means employed to throw the compass from one source to the other?

15^g. If the answer to question (15^e) is in the affirmative, are alarm means employed which are actuated on failure of a source?

15^h. In the repeater compasses, are the repeater motors geared up to the card, so that the card goes at less speed than the motor?

15ⁱ. If the answer to the last question (15^h) is in the affirmative, is a setting handle employed which engages said gearing?

15^j. Are any means employed to show at the repeater compasses that the power supply has failed?

15^k. Are the stator windings of the induction motors which spin the gyro-rotors on, or in contact with, metallic parts supported by a wall of the casing enclosing the rotor?

Sperry Gyroscope Company, D. Anthony Usina, Solicitor for Plaintiff.

[fol. 36] IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER—October 24, 1923

The parties hereto by their solicitors having consented, it is Ordered:

1. That defendant's motion for further particulars filed herein October 8, 1923, be granted; and

2. That plaintiff's motion for leave to file interrogatories filed herein October 15, 1923, be granted.

Dated Brooklyn, N. Y., October 24th, 1923.

Garvin, United States District Judge.

Approved: D. Anthony Usina, Solicitor for Plaintiff. Pennie, Davis, Marvin & Edmonds, Solicitors for Defendant.

Entered Oct. 24, 1923.

[fol. 37]

IN UNITED STATES DISTRICT COURT

[Title omitted]

DEFENDANT'S OBJECTIONS TO PLAINTIFF'S INTERROGATORIES—November 1, 1923

Now comes the defendant, by its solicitors, pursuant to Rule 58 of the Equity Rules, and makes objection to the interrogatories herein filed by plaintiff as follows:

1. To all of the interrogatories because they call for information to be used in the enforcement of a penalty by plaintiff against defendant as set forth in paragraph 48 of the bill of complaint.
2. To each of interrogatories 1, 2, 5, 6 and 15, and to each of the parts thereof, because they are indefinite, in view of paragraph 41 of the bill of complaint in that they do not specify whether the information requested relates to apparatus made and sold to the United States Navy Department or to the general public, this Court being without jurisdiction with respect to any infringement incident to the making of apparatus for and its sale to the Navy Department.
3. To interrogatories 1b and 2b because they call for a comparison [fol. 38] of apparatus with drawings and descriptions, and for expert and opinion evidence, and because they call for evidentiary, not ultimate facts, and constitute an attempt to substitute the practice provided in Rule 58 relating to interrogatories for that provided for in Rule 48 relating to expert affidavits, to the end that defendant be deprived of its rights and privileges under said last mentioned rule.
4. To each of interrogatories 3, 4, 10, 11 and 12, and to each of the parts thereof, because they are immaterial, irrelevant and inquisitorial, not a part of, or relevant to plaintiff's case or cause of action and constitute an attempt to pry unnecessarily into defendant's business relations.
5. To interrogatory No. 7 because it is insufficiently definite, and, though characterized as an interrogatory, is not an interrogatory.
6. To interrogatory No. 8 because it is immaterial, irrelevant and inquisitorial and constitutes an attempt to pry unnecessarily into the defendant's business relations.
7. To interrogatory No. 9 because it is immaterial, irrelevant and inquisitorial and constitutes an attempt to pry unnecessarily into defendant's business relations, and because it is indefinite in the use of the term "same subject."
8. To interrogatory No. 13 because it is indefinite in the use of the term "gyroscopic compasses and appurtenances," and because this interrogatory, including the part designated 13a is inquisitorial [fol. 39] and constitutes an attempt to pry unnecessarily into defendant's business relations.

[fol. 39] 9. To interrogatory No. 14 and the part thereof designated 14a, because they are indefinite in the use of the term "gyroscopic compasses and appurtenances," and because they are inquisitorial and constitute an attempt to pry into defendant's business relations, Pennie, Davis, Marvin and Edmonds, Solicitors for Defendant.

Service of a copy of the within Dfdt.'s objections to Pltff.'s Interrogs. ackn. this 1st day of Nov., 1923.

D. A. U., Sol. for Pltff.

[fol. 39a] IN UNITED STATES DISTRICT COURT

[Title omitted]

MEMORANDUM OBJECTIONS BY DEFENDANT TO INTERROGATORIES
FILED BY PLAINTIFF

INCH, J.:

Plaintiff filed its Bill of Complaint on July 27, 1923. Among other things plaintiff asks therein for punitive damages. Apparently no answer has as yet been filed. Both parties are corporations.

On October 15, 1923 plaintiff served a notice of motion and a copy of proposed interrogatories, asking that they be filed. On October 24, 1923 defendant consented in writing by its solicitors to an order granting leave to plaintiff to file these interrogatories, and same were filed.

The defendant now objects to the interrogatories so filed, on two grounds.

First, defendant objects to any interrogatories at all being filed, because of the penalty clause above referred to in plaintiff's Bill. Second, defendant objects to the various interrogatories on respective grounds stated.

As to the first objection, a line of decisions seem to hold that no [fol. 39b] interrogatories are permitted where a penalty is sought or may be imposed as a result of the trial.

F. Speidel Co. vs. Barstow Co., 232 Fed. Rep. 617.

Marquette Mfg. Co. vs. Oglesby Coal Co., 247 Fed. Rep. 351.

Wilson vs. Union Tool Co., 275 Fed. Rep. 624.

Blackmore vs. Collins, 286 Fed. Rep. 629.

On the other hand, the policy of the Southern District, and I believe also the Eastern District, seems to be well expressed by Judge Augustus Hand in

McLeod Tire Corp. vs. F. B. Goodrich Co., 268 Fed. Rep. 205, where the following occurs:

"It has been the practice in this District" (referring to the Southern District of New York) "to attempt to simplify the issues and limit the testimony necessary at the trial by allowing inspection and compelling answer to interrogatories in patent cases very liberally."

The Equity Rule 58 as it now exists also points that way.

Certainly this seems to be the rule even in cases of possible punitive damages where a waiver appears, express or implied, such as was found to exist in

Grasselli Chemical Co. vs. National A. & C. Co., 282 Fed. Rep. 379,

where Judge Learned Hand also excepted corporations.

It seems to me that defendant's consent to the order here allowing the filing of the interrogatories is a waiver of its right to now object to any interrogatories being filed.

When plaintiff's motion came on to be heard, was the time for defendant to object on the ground now urged, and defendant then [fol. 39c] not only failed to so object, but affirmatively consented thereto.

To be sure, as is now urged by defendant, only in this way could defendant find interrogatories to object to; but such objection after the interrogatories have been so filed must be directed to the propriety of each of such interrogatories and does not survive generally what has already been consented to.

This brings me to the second ground urged by defendant, to-wit, objections to the several interrogatories, and which objections I dispose of as follows. Interrogatories 1, 1a, 2, 2a, 5, 5a to 1 inclusive, 6, 6a to g inclusive, 8, 9, 13, 13a, 14, 14a, 15, 15a to k inclusive are allowed. In allowing same, however, I direct that they be limited to defendant's dealing with the General Public and that defendant is not required to answer in regard to any facts relating to contracts or performance of same with the United States Government in any of its branches.

Interrogatories 1b, 2b, 3, 4, 4a, b, c, d, 7, 9a, 10, 11, 12, 12a are not allowed, for the reasons that they either do not appear to me to be necessary or material to plaintiff's case or may be more properly obtained under other procedure.

If, however, the plaintiff either feels that I have failed to grasp the reasons for the allowance of these interrogatories or desires to present [fol. 39d] facts making same necessary which do not appear in the papers now before me, I hereby allow the plaintiff to file on the settlement of the order a memorandum confined solely to the rejected interrogatories, provided a copy of said memorandum is served upon the other side at least two days prior to the presentation of the order, in order that any answer thereto may be also and at the same time filed by the other side.

The objections of defendant are overruled and sustained as above indicated. Settle order on notice.

[fol. 39e]

IN UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF MOTION FOR ORDER RE INTERROGATORIES

Please take notice that in the above entitled cause, we will present an order of which a copy is attached for settlement at the hearing of the motion calendar on Wednesday, December 19th.

D. Anthony Usina, Solicitor for Plaintiff.

Copy of the foregoing Notice and the Order referred to therein received this 11th day of December, 1923.

Pennie, Davis, Marvin & Edmonds, Solicitors for Defendant.

[fol. 40]

IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER RE INTERROGATORIES—December 19, 1923

Plaintiff having filed certain interrogatories under an order entered October 24, 1923, defendant having filed objections thereto and counsel for both parties having been heard, it is hereby

Ordered:

1. That defendant be required to answer within ten (10) days interrogatories 1, 1a, 2, 2a, 5, 5a, to 1 inclusive, 6, 6a to g inclusive, 8, 9, 13, 13a, 14, 14a, 15, 15a to k inclusive; such answers, however, to be limited to defendant's dealing with the general public, and defendant not be required to answer in regard to any facts relating to contracts or performances of same with the United States Government in any of its branches.

2. Defendant is not required to answer interrogatories 1b, 2b, 3, 4 4a, b, c d, 7, 9a, 10, 11, 12, 12a.

3. Plaintiff after the receipt of answers to the interrogatories in paragraph 1 above shall have the right to file a memorandum in support of the interrogatories referred to in paragraph 2 above and [fol. 41] to submit interrogatories to which defendant shall have the right to object.

R. A. Inch, United States District Judge.

Dated Brooklyn, N. Y., Dec. 19, 1923.

Approved: D. Anthony Usina, Solicitor for Plaintiff. — — —,
Solicitor for Defendant.

Entered — — —, 1923.

[fol. 42]

IN UNITED STATES DISTRICT COURT

[Title omitted]

DEFENDANT'S ANSWERS TO PLAINTIFF'S INTERROGATORIES

The defendant files herewith the following answers to those of the plaintiff's interrogatories which defendant is required to answer by the order filed herein December 19, 1923.

In answer to interrogatories 1, 1a, 2, 2a, 5, 5a, to 1 inclusive, 6, 6a to g inclusive, 15 and 13a to k inclusive, defendant states that it has not, in its dealings with the general public, as distinguished from dealings with the United States Government in any of its branches, made, used or sold or imported for sale gyroscopic apparatus of the kind or kinds inquired about.

In answer to interrogatory No. 8, defendant states that copies of the circular entitled "Gyroscopic Compass" and designated "Bulletin No. 10," were sent to about 100 men interested in the construction and operation of ships and companies building, owning and operating ships; this was done over a period of about three months and was discontinued nearly two years ago.

[fol. 43] In answer to interrogatory No. 9, defendant states that it has not distributed "circulars or bulletins on the same subject" other than that referred to as designated "Bulletin No. 10."

In answer to interrogatory No. 13, defendant states that it has not advertised its readiness to make and sell gyroscopic compasses and appurtenances by printed circulars, advertisements and publications other than that entitled "Bulletin No. 10."

In answer to interrogatory No. 14, defendant states that it has, by word of mouth or in other ways, solicited orders for gyroscopic compasses or appurtenances from others in the United States than the Navy Department, and has offered to supply gyroscopic compasses to such others, or stated its willingness to supply them; this was done over a period of about three months and was discontinued nearly two years ago.

In answer to interrogatory No. 14a, defendant states that it has not, in its dealings with the general public as distinguished from its dealings with the United States Government in any of its branches solicited an order, by word of mouth or in any other way, for the rebuilding of gyroscopic compasses or appurtenances on ships, or stated its willingness to rebuild gyroscopic compasses or appurtenances on ships.

Arma Engineering Company, by David M. Mahood, President.

[fol. 44] STATE OF NEW YORK,

County of Kings, ss:

David M. Mahood, being duly sworn, deposes and says that he is the President of Arma Engineering Company, the defendant herein; that he has read the foregoing answers to interrogatories and knows the contents thereof; that the same is true of his own knowl-

edge except as to the matters therein stated to be alleged on information and belief and as to those matters he believes it to be true.

David M. Mahood.

Subscribed and sworn to before me this 28 day of Dec., 1923.
Edward Lee Clemmons, Notary Public. (Seal.)

Service ack. Dec. 29, 1923. D. A. U., Solic. for Pltf.

[fol. 45] IN UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF FILING OF SUPPLEMENTARY INTERROGATORIES—Filed
February 1, 1924

Please take notice that under the order of Judge Inch entered December 19, 1923 in the above case we have filed certain supplementary interrogatories to be answered by the defendant, of which supplementary interrogatories copy is attached.

D. Anthony Usina, Solicitor for Plaintiff.

Copy of the foregoing notice and supplementary interrogatories referred to therein received this first day of February, 1924.

Pennie, Davis, Marvin and Edmonds, Solicitors for Defendant.

[fol. 46] IN UNITED STATES DISTRICT COURT

[Title omitted]

PLAINTIFF'S SUPPLEMENTARY INTERROGATORIES—February 1, 1924

Now comes the plaintiff and by leave of court in an order entered December 19, 1923 submits the following interrogatories to the defendant The Arma Engineering Company, Inc., to be answered by its president, D. M. Mahood or its secretary, Arthur P. Davis, whichever may be more competent.

16. Produce drawings and descriptions of the gyroscopic compasses or appurtenances thereof for which defendant says (in its answer to interrogatory No. 14) it has solicited orders from others in the United States than the Navy Department and which it has offered to supply to such others or stated its willingness to supply them.

17. Referring to the gyroscopic compasses or appurtenances for which you have solicited orders from others in the United States than the Navy Department and which you have offered to supply to such

others or stated your willingness to supply them, did these gyroscopic compasses or appurtenances answer to any of the following specifications?

17a. The gimbal rings of the master compass provided with means for dampening the movements of the compass in the gimbals [fol. 47] when the vessel is rolling or pitching and a suitable dampening device for the binnacle mounting when the binnacle is trunnioned in the pedestal stand.

17b. Levels for quickly adjusting the compass on the meridian in starting when the direction of north is not known.

17c. A follow-up system electrically driven.

17d. The readings of the master compass card transmitted to the repeater system direct or through relays as required by means of a transmitter.

17e. The various units comprising the system by means of which the indication of the sensitive element is transmitted to the repeaters designed for ease of adjustment and cleaning without interference in the operation of the compass system, and electrical contacts controlling the follow-up system arranged to allow renewal while the compass is in operation.

17f. Correction devices to correct the reading of all repeaters in such a manner that they will give true readings for all latitudes, courses and speeds of the vessel.

17g. The gyro wheels and the repeater system electrically operated by turbo generator, motor generator or dynamotor.

17h. Generating units so designed as to be safely thrown directly [fol. 48] upon the ship supply without starting resistance, and A. C. windings electrically separated from the ship's supply circuit.

17i. Means for alternative operation of the repeater system in case of failure of the primary method, such means being automatic, allowing the transfer of the repeater system to the secondary method without causing an error in the indication of any repeater.

17j. An alarm bell system to indicate failure of the power supply to the master compass.

17k. Repeater so constructed as to be capable of setting by hand at the repeaters or electrically from the control switchboards.

17l. Means at the control switchboard for synchronizing the repeater system with the master, in addition to the hand setting device on each repeater.

18. Referring to the gyroscopic compasses or appurtenances for which you have solicited orders from others in the United States than the Navy Department and which you have offered to supply to such others and have stated your willingness to supply them, did such

gyroscopic compasses or appurtenances employ the following constructions?

18a. A plurality of gyroscopes driven at equal speeds by induction motors from a common A. C. generator.

18b. A pair of gyroscopes mounted for precession about parallel axes in a frame which are connected for opposite precession.

[fol. 49] 18c. If the answer to the foregoing (18b) is in the affirmative, were said pair of gyroscopes yieldingly held in a predetermined relationship to the frame?

18d. Were the gyroscopes suspended from the frame by wire or wires in addition to the vertical guide bearings?

18e. A device for automatically correcting readings of the system to compensate for errors due to course changes.

18f. If the answer to the foregoing (18e) is in the affirmative, was such device settable in accordance with the speed and latitude of the ship?

18g. If the answer to (18e) is in the affirmative, was the correction device mounted on or controlled by the master compass?

19. Produce for inspection of an engineer of the plaintiff, or secure access of such engineer to, a gyroscopic compass with appurtenances like those for which you have solicited orders from others in the United States than the Navy Department or have offered to supply to such others or have stated your willingness to supply to them.

20. In the gyroscopic compasses or appurtenances for which you have solicited orders from others in the United States than the Navy Department and which you have offered to supply to such others or stated your willingness to supply them, were the following constructions employed?

20a. Were corrected compass readings transmitted directly or indirectly from a follow-up device on the master compass?

[fol. 50] 20b. If such a follow-up device was employed, was it actuated directly or indirectly from contacts operable by the relative movement of the gyroscopic or sensitive element and the follow-up element?

20c. If indirectly operated, was a relay transmitter employed which had a power motor actuated from the contacts referred to in the last question (20b), which motors actuated one or more transmitters?

20d. A mercury float for the gyroscopic element which was guided by a central member and mercury cups for leading in the current to said element?

20e. Alternative sources of electrical supply for the compass?

20f. If the answer to question (20e) is in the affirmative, were automatic means employed to throw the compass from one source to the other?

20g. If the answer to question (20e) is in the affirmative, were alarm means employed which were actuated on failure of a source?

20h. In the repeater compasses, were the repeater motors geared up to the card, so that the card went at less speed than the motor?

20i. If the answer to the last question (20h) is in the affirmative, was a setting handle employed which engaged said gearing?

20j. Were any means employed to show at the repeater compasses that the power supply had failed?

[fol. 51] 20k. Were the stator windings of the induction motors which spin the gyro-rotors on, or in contact with, metallic parts supported by a wall of the casing enclosing the rotor?

21. Referring to the gyroscopic compasses or appurtenances for which you have solicited orders from others in the United States than the Navy Department and which you have offered to supply to such others or stated your willingness to supply them, have you solicited orders for or offered to supply the gyroscopic compass or appurtenances described in the circular entitled "Anschutz Gyro-Compass with Selfsteerer," "Anschutz & Co., Neumuhlen Bei Kiel, Germany," undated, a copy of which may be seen at the office of plaintiff's counsel?

22. Is the statement on page 31 of the circular referred to in Q. 21 that you are the agent of Anschutz & Co. in this country for the sale of gyroscopic compass or appurtenance described therein true?

22a. Was such statement true at the time when you solicited such orders from others in the United States than the Navy Department and offered to supply gyroscopic compasses to such others or stated your willingness to supply them?

22b. Was the statement in said circular that you are agent of Anschutz & Co. for the United States inserted there with your knowledge and consent?

23. Have you solicited orders or entered into contracts for gyroscopic compasses or appurtenances to be installed in this country, in Argentine or other foreign owned ships or offered to supply gyroscopic compasses or appurtenances for such installation or stated [fol. 52] your willingness to do so?

23a. If your answer to 23 is yes, when did you do this?

24. Have you solicited orders or entered into contracts for the repair or alteration in this country of gyroscopic compasses or appurtenances in Argentine or other foreign owned ships or offered to make such repairs or alterations or stated your willingness to do so?

24a. If your answer to 24 is yes, when did you do this?
 Sperry Gyroscope Company. D. Anthony Usina, Solicitor
 for Plaintiff.

[fol. 53] IN UNITED STATES DISTRICT COURT

[Title omitted]

DEFENDANT'S ANSWERS TO PLAINTIFF'S INTERROGATORIES

The defendant files the following answers to the interrogatories heretofore filed by the plaintiff in this cause:

Ans. to Int. No. 16. Defendant has no such drawings and descriptions.

Ans. to Int. No. 17. Defendant does not know.

Ans. to Int. No. 18. Defendant does not know.

Ans. to Int. No. 19. Defendant has no such compass and/or appurtenances.

Ans. to Int. No. 20. Defendant does not know.

Ans. to Int. No. 21. For a brief period about two years ago, defendant solicited orders for gyroscopic compasses with the intention that any orders obtained would be filled with compasses made by Anschutz & Co. in Germany and sent by them to defendant, such compasses to be of Anschutz' latest type whatever that might be, but defendant obtained no such orders; in soliciting the orders, defendant made no use of the circular referred to and does not know whether in case defendant had obtained any such order, and had sent to Anschutz & Co. for apparatus with which to fill it, Anschutz & [fol. 54] Company would have sent to defendant such gyroscopic compasses or appurtenances as may be described in the said circular.

Ans. to Int. 22 and 22a. In soliciting orders for gyroscopic apparatus for a brief period about two years ago as above set forth, defendant acted as agent for Anschutz & Company but since then defendant has not acted as their agent for the sale of their gyroscopic apparatus in the United States.

Ans. to Int. 22b. No, not with our knowledge and not with our consent.

Ans. to Int. 23. No.

Ans. to Int. 24. No.

Arma Engineering Company, Inc., by David M. Mahood,
 President.

Sworn to by David M. Mahood. Jurat omitted in printing.

[fol. 55]

IN UNITED STATES DISTRICT COURT

[Title omitted]

BILL OF PARTICULARS

Now comes the plaintiff and for further particulars called for by defendant's motion says as follows:

1. The claims of the several Letters Patent mentioned in the Bill of complaint upon which the plaintiff will rely as being infringed by apparatus which the defendant has made, sold and contracted to make and sell to the United States Navy Department are the following:

Patent No. 1,186,856, Claims 4, 5, 6, 8, 9, 14, 15, 17, 19, 20, 21, 24, 25, 26, 27, 30, 31, 32, 36 and 37.

Patent No. 1,242,075, Claims 1, 2, 3 and 31.

Patent No. 1,255,480, Claims 1, 2, 4, 6, 9, 10, 12, 13, 14, 15, 17, 18, 19, 21, 23, 24, 25, 26, 28, 29, 30, 31, 32 and 33.

Patent No. 1,279,471, Claims 16, 21, 22, 23, 24, 25 and 34.

Patent No. 1,296,439, Claim 16.

Patent No. 1,300,890, Claims 21, 26, 29, 32 and 34.

Patent No. 1,330,501, Claims 1, 2, 8, 11, 12, 13 and 14.

Patent No. 1,378,296, Claims 1, 2, 3, 4, 5, 9, 11 and 12.

Patent No. 1,403,062, Claims 2, 7, 11, 16, 17 and 18.

2. Plaintiff is not informed that defendant has sold any apparatus [fol. 56] thus infringing said patents otherwise than to the United States Navy Department; that plaintiff is informed and believes that defendant has made and imported and has offered to make and import for sale to others than the United States Navy Department apparatus which constitute such an infringement. The apparatus thus made or imported and offered for sale to others than the United States, plaintiff is informed and believes, have differed in detail and have been substantially like the apparatus described in a certain circular entitled "Gyroscopic Compasses and Auxiliary Apparatus," "Arma Engineering Company, Inc., 228 40th Street, Brooklyn, New York, U. S. A.," and carrying on the last page the note "Bulletin No. 10-1921, Arma Engineering Company, Inc.," and like the apparatus described in a circular entitled "The Anschutz Gyro-Compass with Selfsteerer," "Anschutz & Co., Neumuhlen Bei Kiel, Germany," a copy of which may be seen at the office of plaintiff's counsel. Plaintiff is not informed with certainty for whom these apparatus were made or imported and to whom they were offered for sale.

3. Plaintiff alleges that the defendant is preparing and threatening by advertising directed to the public and otherwise to infringe the same claims listed in paragraph 1 above in this bill of particulars.

4. Plaintiff does not know all the acts which have been committed by defendant in preparing and threatening by advertisements directed

to the public and otherwise to infringe patents of plaintiff, but plaintiff refers in this respect particularly to the circulars named in paragraph 2 above of this bill of particulars.

5. The fraudulent use of information and engineering secrets by defendant referred to in paragraph 45 of the bill of complaint is this, that D. M. Mahood and Arthur P. Davis referred to in the [fol. 57] bill of complaint took with them when they left the plaintiff company the knowledge of certain confidential engineering and development work of plaintiff in connection with gyroscopic compasses and appurtenances and a knowledge of the applications for patent then pending on behalf of plaintiff but not yet disclosed to the public by patents or publications and of other engineering and development work not covered by patents nor by pending applications but in the process of development into completed inventions to be patented when subsequently perfected; and that said Mahood and Davis, together with other employees of the plaintiff company (including Robert B. Evans, P. C. Petta, Fred Hobby and George Kuhlke) whom they induced to join them and some or all of whom also had knowledge of plaintiff's confidential work, applied such knowledge to the production of gyroscopic compasses which without such knowledge would not have been operative and salable.

6. The unfair competition referred to in the bill of complaint consists particularly in this, that the officers and agents of the defendant company, having acquired a knowledge of plaintiff's customers while previously in the employ of the plaintiff, have gone to such customers and to others and have alleged that plaintiff's gyroscopic compasses and appurtenances were defective; that plaintiff's patents gave them no monopoly; that said officers and agents of defendant have endeavored to injure plaintiff with the banks with which plaintiff has done business by misrepresentations concerning the credit of plaintiff; and that defendant has copied to a [fol. 58] substantial extent the external appearance and particularly the support and the cover of plaintiff's gyroscopic compasses, which external appearance was a departure from previous designs and was distinctive of plaintiff's compasses.

Sperry Gyroscope Company, by Elmer A. Sperry, President.
D. Anthony Usina, Solicitor for Plaintiff, No. 71 Broadway,
New York City, N. Y. Herbert H. Thompson, Counsel
for Plaintiff, No. 36 Flatbush Avenue Extension, Brook-
lyn, N. Y.

[fol. 59]

IN UNITED STATES DISTRICT COURT

[Title omitted]

ANSWER

The defendant above-named, answering the Bill of Complaint, alleges:

1. Defendant admits that the Sperry Gyroscope Company has its principal office in the Borough of Brooklyn, in the City and State of New York, but is not informed as to whether it is a corporation duly organized and existing under the laws of the State of New York. Defendant admits that it is a corporation organized under the laws of the State of New York and that it has a regular and established place of business at 228 40th Street, Borough of Brooklyn, City and State of New York, in the Eastern District of New York, which place of business constitutes its principal office, but defendant denies that it has committed any act of infringement of any patent belonging to plaintiff at its said place of business or elsewhere.

2. Defendant admits that the nine patents of the United States referred to in paragraphs 1 to 36 inclusive of the Bill of Complaint, namely:

[fol. 60] No.	Date	Patentee
1,186,856.....	June 13, 1916..	E. A. Sperry.
1,242,065.....	Oct. 2, 1917..	E. A. Sperry.
1,255,480.....	Feb. 5, 1918..	E. A. Sperry.
1,279,471.....	Sept. 17, 1919..	E. A. Sperry.
1,296,439.....	Mar. 4, 1912..	E. A. Sperry.
1,300,890.....	Apr. 15, 1919..	E. A. Sperry.
1,330,501.....	Feb. 10, 1920..	Harry L. Tanner.
1,378,296.....	May 17, 1921..	Harry L. Tanner.
1,403,062.....	Jan. 10, 1922..	E. A. Sperry.

were granted on the dates stated as the dates of issue of the several patents respectively, and in the names of the applicants for patents stated, respectively; but as to all other matters alleged in said paragraphs 1 to 36 inclusive, defendant is not informed and therefore denies them; in particular, defendant denies that the said Elmer A. Sperry was the first, sole, true or original inventor of any improvement in gyroscopic apparatus described and claimed in any one of the said patents issued in his name, and denies that the applicants for all of said patents duly complied with the requirements and conditions of the Statutes of the United States relating to applications for patents of the United States and the issuance of patents thereon.

3. Defendant is not informed as to the matters alleged in paragraph 37 of the Bill of Complaint and therefore denies the same.

4. Defendant denies each and every of the allegations set forth in paragraphs 38, 39 and 40 of the Bill of Complaint.

5. Defendant is not informed as to whether or not the alleged inventions described and claimed in all of the letters patent hereinabove designated by number are capable of conjoint use as alleged in paragraph 42 of the Bill of Complaint and therefore denies the same and denies that said alleged inventions are used conjointly or otherwise [fol. 61] wise in gyroscopic compasses made by this plaintiff or by this defendant.

6. Defendant is not informed as to the matters set forth in paragraph 43 of the Bill of Complaint and therefore denies the same.

7. Defendant is not informed as to whether or not plaintiff has caused compasses or other apparatus made and sold by it to be marked "patented" together with the day and year of each of the patents hereinabove designated by number and therefore denies the same, and denies that it has been fully advised and notified of plaintiff's claims under all of the said letters patent; and defendant asserts that if plaintiff has caused all gyroscopic compasses made and sold by it to be marked "patented" together with the day and year of all of the nine patents hereinabove designated by number, such apparatus has been marked improperly.

8. Defendant denies that it has made, used or sold, or caused to be made, used or sold apparatus embodying the alleged inventions described and claimed in the said nine letters patent hereinabove designated by number, or any one or more of them, thereby infringing the exclusive rights or any rights of the plaintiff, either with or without intent to injure plaintiff and interfere with its business and deprive it of any profits, either within the Eastern District of New York or elsewhere, and either subsequent to the grant of said letters patent or at any other time; also defendant denies that it is preparing and threatening by advertisements directed to the public or otherwise to infringe upon said patents or any one or more of them [fol. 62] by sale of infringing apparatus to the public or otherwise, or that it ever has so prepared or threatened.

9. Defendant admits that D. M. Mahood and Arthur P. Davis are officers of the defendant company, that they were the chief organizers of the defendant company, that they were and are owners of substantial interests in the defendant company, and that prior to the organization of the defendant company, they were both in the employ of plaintiff; but defendant denies that said Mahood or said Davis obtained while in plaintiff's employ familiarity with any confidential engineering and development work and/or patent matters of the plaintiff not available to the public generally, and denies that in the manufacture or sale of any apparatus made or sold by it, it has fraudulently employed information obtained by either the said Mahood or the said Davis by reason of such employment, and denies that defendant would have been unable to produce any of the apparatus which it has produced but for any fraudulent use of any knowledge of engineering secrets or confidential work of the plaintiff.

10. Defendant denies each and every of the allegations contained in paragraph 46 of the Bill of Complaint herein.

11. Defendant alleges that the Bill of Complaint does not present a cause of action coming within the jurisdiction of this Court, because, first, a claim that an invention patented by plaintiff has been embodied in apparatus made by defendant under contract with and for sale to a branch of the United States Government may be litigated only by suit against the United States in the United States Court of Claims in accordance with an Act of Congress dated July 1, 1918; and second, since plaintiff and defendant are corporations of the same State and residents of the same judicial district, a claim by plaintiff that defendant has been guilty of unfair competition with [fol. 63] it is within the exclusive jurisdiction of the courts of the State within which the parties reside; and third, defendant is not now, and has not at any time heretofore, offered for sale to the public any specific form of gyroscopic compass and therefore has not prepared or threatened to infringe upon any patent belonging to plaintiff and relating to gyroscopic compasses.

In connection with its dealings with the United States Government, defendant alleges that, shortly after its organization in 1918, it entered into a contract with the Navy Department of the United States for the manufacture of gyroscopic apparatus and in connection therewith it developed a novel form of compass differing materially in construction and operation from compasses theretofore made and sold by plaintiff and not embodying any invention patented by plaintiff. Pursuant to the contract referred to and similar contracts with the Navy Department executed thereafter, defendant proceeded with the manufacture of gyroscopic compasses of its said distinctive design and supplied them to the United States Navy Department. All of the gyroscopic compasses made by defendant have been made under contracts in writing executed by defendant and the Navy Department of the United States. The said compasses so made by defendant do not embody any invention covered by any patent belonging to plaintiff and in particular do not embody any invention covered by any one of the nine patents above enumerated by number, but any claim of patent infringement with respect to compasses so made under contract with the Navy Department may be adjudicated only in the United States Court of Claims under the Act of Congress of June 25, 1910, (36 Stats. 851) as amended July 1, 1918, (40 Stats. 704; Comp. St. 1918, Sec. 9465, Append.) [fol. 64] In connection with its dealings with the public, defendant alleges as follows: Many years prior to the entrance of either plaintiff or defendant upon the manufacture of gyroscopic compasses, a gyroscopic compass of distinctive design and highly successful in its operation, had been developed by Anschutz & Company of Kiel, Germany, and a number of inventions embodied in the Anschutz compass have been patented in the United States. Shortly after the United States entered the European war in 1917, a number of these patents were seized by the Alien Property Custodian, and, under the

provisions of the law then in force, licenses under patents so seized were obtainable on application to the Federal Trade Commission of the United States. On or about December 19, 1918, defendant made application to the Federal Trade Commission of the United States for a license under the following letters patent granted to Anschutz & Company or its representatives:

No.	Date	Title
794,654.....	July 11, 1905	Gyroscope.
841,612.....	Jan. 15, 1907	Suspension of Rotating Apparatus and Magnetic Compasses.
877,034.....	Jan. 21, 1908	Gyroscope.
973,611.....	Oct. 25, 1910	Gyroscope.
1,019,582.....	March 5, 1912	Gyroscope.
1,092,816.....	April 14, 1914	Gyroscope Compass.
1,141,099.....	June 1, 1915	Artificial Horizon.
1,173,241.....	February 29, 1916	Gyroscopic Apparatus.
1,186,339.....	June 6, 1916	Gyroscopic Apparatus.
1,186,686.....	June 13, 1916	Gyroscopic Compass.
1,228,061.....	May 29, 1917	Device for Damping Oscillations of a Gyroscopic Pendulum.

On January 15, 1919, defendant was granted a license under these patents by the Federal Trade Commission and subsequently the following patents were added to the license by the Federal Trade Commission:

No.	Date	Title
1,180,365.....	April 25, 1916	Method of Gyroscopic Control.
1,180,815.....	April 25, 1916	Gyroscopic Compass.
1,231,933.....	July 3, 1917	Compass for Ships or the Like.

[fol. 65]

In the latter part of 1921, this defendant decided to investigate the market for gyroscopic compasses among individuals and companies within the United States, building, owning and operating ships. Accordingly, in the latter part of 1921, defendant prepared a small pamphlet entitled "Gyroscopic Compasses," and designated "Bulletin No. 10," and in the last month of 1921 and the first three months of 1922, about one hundred copies of this pamphlet were sent by defendant to naval architects and ship building and operating companies. In some instances, the copies of the pamphlet were transmitted with letters soliciting an interview for the discussion of matters relating to gyroscopic compasses. The pamphlet referred to does not illustrate or describe any specific gyroscopic compass construction and throughout this investigation conducted by defendant, no specific construction of gyroscopic compass was offered for sale by defendant. Prior to that time defendant had established cooperative relations with

Anschutz & Company of Kiel, Germany, and in accordance therewith it was defendant's intention that if any orders for the sale of gyroscopic compasses to commercial interests in the United States were received, such orders would be filled by gyroscopic compasses obtained from Anschutz & Company; but as to what specific construction of gyroscopic compass Anschutz & Company would supply for the purpose of filling any such order obtained by defendant, defendant had no knowledge except that it was its understanding that Anschutz & Company would furnish to defendant its latest and best type of compass whatever that might be. As a matter of fact, however, defendant received no order for a gyroscopic compass from any commercial interest, that is, any one other than the United States Navy Department, throughout this period of a few months during which defendant distributed its bulletin No. 10 to the extent of about 100 copies. As a part of its general investigation of the commercial field for gyroscopic compasses, defendant wrote to the Federal Trade Commission inquiring with reference to its rights under its license in connection with the importation of gyroscopic compasses made in Germany by Anschutz & Company and embodying the inventions patented by Anschutz & Company in the United States, and also with reference to extension of its license to include such importation if it was not already included, and thereupon the Federal Trade Commission caused defendant to be notified that the license granted to defendant by the Federal Trade Commission under the Anschutz patents above referred to, did not contemplate the importation by the licensee of any devices embodying the inventions of the licensed patents and that if defendant imported any devices embodying the said patented inventions, it would not be protected by the license with respect to such importation. Prior to this notification from the Federal Trade Commission, the said Anschutz patents under which defendant was licensed had been assigned by the Alien Property Custodian to Chemical Foundation, Inc., and after defendant received the notice from the Federal Trade Commission above set forth, defendant made inquiry of the Chemical Foundation as to whether or not it could obtain from the Foundation a license under the Anschutz patents which would cover importation of compasses made by Anschutz & Company in Germany, and was promptly notified by the Chemical Foundation that no such license could be obtained by defendant and that if such compasses were imported by defendant suit would be brought against defendant by the Foundation to enjoin such importation. Thereupon, defendant discontinued its distribution of its Bulletin No. 10 and all correspondence relating to the sale of gyroscopic [fol. 67] compasses in the United States to others than the United States Navy Department and continuously since that time it has refrained from offering any compasses for sale commercially.

12. Defendant is informed and believes and therefore avers that the several letters patent named in the Bill of Complaint Nos. 1,186,856, 1,242,065, 1,255,480, 1,279,471, 1,296,439, 1,300,890, 1,330,501, 1,378,296 and 1,403,062, and each of them, were and are invalid and void because the alleged inventions purporting to be patented thereby,

and each of them, did not constitute patentable knowledge or invention within the meaning of the patent laws in view of the prior state of the art and in view of what was common knowledge on the part of those skilled in the art prior to the respective dates of alleged invention of the subject matter of the said several letters patent by the patentees thereof.

13. Defendant is informed and believes and therefore avers that while the applications for said several letters patent numbers 1,186,856, 1,242,065, 1,255,480, 1,279,471, 1,296,439, 1,300,890, 1,330,501, 1,378,296 and 1,403,062, were pending in the United States Patent Office, the applicants therefore so limited and confined the claims of said applications under the requirements of the Commissioner of Patents that the plaintiff herein cannot now seek for or obtain constructions for said claims sufficiently broad to cover any apparatus heretofore made by defendant.

14. Defendant alleges that said Letters Patent Nos. 1,186,856, 1,242,065, 1,255,480, 1,279,471, 1,296,439, 1,300,890, 1,330,501, 1,378,296 and 1,403,062, and each of them are invalid and void for the [fol. 68] reason that the claims thereof fail to specify combinations of elements, which, if they had been originated by the patentees of the said patents respectively, constituted patentable inventions, but on the contrary constitute mere aggregations of elements well known to and available for use by those skilled in the art of gyroscopic compasses prior to the dates of alleged invention thereof by the patentees of said patents.

15. Defendant is informed and believes and therefore avers that each of the said letters patent Nos. 1,186,856, 1,242,065, 1,255,480, 1,279,471, 1,296,439, 1,300,890, 1,330,501, 1,378,296 and 1,403,062 were and are invalid and void because the alleged inventions and discoveries described and claimed therein and all material and substantial parts thereof had been, prior to the respective dates of alleged invention and discovery thereof by the patentees of the said several letters patent, described and published in the following letters patent, to wit:

No.	Date	Patentee	Title
249,147.	Nov. 1, 1881.	Lockwood . . .	Electrical Signalling Apparatus.
401,520.	Apr. 16, 1889.	Delany	Electrical Bulletin.
401,520.	Apr. 16, 1889.	Tesla	Method of Operating Electric Magnetic Motors.
429,804.	June 10, 1890.	Baldwin	Traction Motor.
441,973.	Dec. 2, 1890.	Rapieff	Electrical Location and Range Finding Instrument.
482,421.	Sept. 13, 1892.	Cory	Rudder Indicator.
492,480.	Feb. 28, 1893.	Bradley	Transformer and Means for Developing Rotary Magnetic Fields.
502,433.	Aug. 1, 1893.	Gibboney	Balance.

No.	Date	Patentee	Title
513,895.	Jan. 30, 1894.	Dewey	Power Transmitting Mechanism for Electric Locomotives.
[fol. 69]			
561,430.	June 2, 1896.	Pfatischer . . .	Indicator for the Speed of Revolution of Propellers.
568,755.	Oct. 6, 1896.	Greenough . . .	Apparatus for Indicating Distance and Direction of Remote Objects.
558,119.	Apr. 14, 1896.	Steinmetz . . .	Regulating Alternating Current Motors.
595,820.	Dec. 21, 1897.	Obry	Gyroscopic Controlled Firing Mechanism for Ships Guns.
597,374.	Jan. 11, 1898.	Henry	Controller for Electric Cars.
662,484.	Nov. 27, 1900.	Ziehl	Electric Top for Gyroscopes.
683,872.	Oct. 1, 1901.	Alcock	Electric Signalling Apparatus.
697,144.	April 8, 1902.	Hewlett	Circuit Controller.
714,081.	Nov. 18, 1902.	Widmann . . .	Apparatus for Transmitting the Positions of Movable Pointers.
720,042.	Feb. 10, 1903.	Marshall	Weighing Machine.
720,076.	Feb. 10, 1903.	Sheehy	Attachment for Range Finders.
765,426.	July 19, 1904.	Herrick	Compass.
769,493.	Sept. 6, 1904.	Schlick	Device for Minimizing the Oscillatory Movement of Ships.
785,587.	Mar. 21, 1905.	Akimoff	Mechanical Speed Governor.
794,654.	July 11, 1905.	Anschutz-Kaempfe . . .	Gyroscope.
796,893.	Aug. 8, 1905.	Brennan	Means for Imparting Stability to Unstable Bodies.
821,475.	May 22, 1906.	Dworznski . . .	Automatic Electrical Balance.
824,990.	July 3, 1906.	Kennedy	Electric Signalling Device.
827,154.	July 31, 1906.	Kennedy	Electric Signalling Device.
841,612.	Jan. 15, 1907.	Anschutz-Kaempfe . . .	Suspension of Rotating Apparatus and Magnetic Compasses.
844,837.	Feb. 19, 1907.	Vanzini	Nautical Apparatus.
[fol. 70]			
848,988.	April 2, 1907.	Hall	System of Gun Control.

No.	Date	Patentee	Title
862,209.	Aug. 6, 1907.	Sohn	Electric Signal System.
865,277.	Sept. 3, 1907.	Stannard	Nautical Indicating De- vice.
865,278.	Sept. 3, 1907.	Stannard	Nautical Indicating De- vice.
874,255.	Dec. 17, 1907.	Skutsch	Device for Diminishing the Rolling Motion of Ships.
875,036.	Dec. 31, 1907.	Ach	Gyroscope.
877,034.	Jan. 21, 1908.	Anschutz- Kaempfe ...	Gyroscope.
911,412.	Feb. 2, 1909.	Lang	Friction Bearing.
922,098.	May 18, 1909.	Dawson	Electrical Transmitting Apparatus for Control- ling the Sighting of Guns.
922,399.	May 18, 1909.	Dawson	do
973,611.	Oct. 25, 1910.	Anschutz- Kaempfe ...	Gyroscope.
931,274.	Aug. 17, 1909.	Connet	Dynamometer.
1,019,582.	Mar. 5, 1912.	Anschutz- Kaempfe ...	Gyroscope.
1,023,943.	Apr. 23, 1912.	Knapp	Indicating and Protective Device.
1,025,488.	May 7, 1912.	Street	Engine Room Return Signal.
1,039,996.	Oct. 1, 1912.	Noack	Signalling Means for Fire Alarms.
1,044,505.	Nov. 19, 1912.	Dragon	Wagon Tongue Steadier.
1,048,582.	Dec. 31, 1912.	Helander	Condenser.
1,048,817.	Dec. 31, 1912.	Faleke	Gyrostatic Mechanism.
1,067,808.	July 22, 1913.	Fuchs	Gyroscopic Compass.
1,074,771.	Oct. 7, 1913.	Bruger	Gyroscope Compass.
1,077,965.	Nov. 4, 1913.	Pollen	Naval Fire Control Ap- paratus.
1,091,653.	Mar. 31, 1914.	Hall	Telltale for Compasses or the Like.
1,092,816.	Apr. 14, 1914.	Anschutz- Kaempfe ...	Gyroscope Compass.
[fol. 71]			
1,094,689.	Apr. 28, 1914.	Wood	Indicating System for Turrets.
1,136,566.	Apr. 20, 1915.	Usener	Gyro-Compass.
1,173,241.	Feb. 29, 1916.	Anschutz	Gyroscopic Apparatus.
1,180,815.	Apr. 26, 1916.	Anschutz- Kaempfe ...	Gyroscopic Compass.
1,296,440.	Mar. 4, 1919.	Sperry	Repeater System for Gyro Compasses.

British Letters Patent

8,394.	1884.
1,031.	1890.
9,437.	1891.
5,903.	1901.
10,283.	1904.
10,185.	1906.
10,342.	1907.
12,288.	1907.
12,021.	1909.
24,112.	1909.
15,487.	1909.
21,955.	1910.
25,989.	1910.
15,669.	1911.
15,679.	1911.
110,046.	1916.
5,872.	1913.

Austrian Letters Patent

20,340.	1904.
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German Letters Patent

171,925.	1905.
179,093.	1903.
196,285.	1905.

[fol. 72]

French Letters Patent

No. 436,190 1912,

and also in other United States and foreign Letters Patent now unknown to defendant but which when known defendant begs leave to insert in this answer by proper amendment.

16. Defendant is informed and believes and therefore avers that each of said several Letters Patent Nos. 1,186,856, 1,242,065, 1,255,480, 1,279,471, 1,296,439, 1,300,890, 1,330,501, 1,378,296 and 1,403,062 were and are invalid and void because the alleged inventions and discoveries described and claimed in each of them and all material and substantial parts thereof had been, prior to the respective dates of alleged invention and discovery thereof by the patentees, and more than two years prior to the date of filing of the applications for said Letters Patent, described and published in the following printed publications, to wit:

Traite Elementaire de Physique by Daguin, Vol. 1, 1867, p. 109.
The Anschutz Gyroscopic Compass, History, Description, Theory, Practice, Use. Published in 1910 under the direction of Anschutz & Co., of Kiel, Germany, and Elliot Bros. of London, England.

Scientific American (Munn & Co. N. Y. C.) April 6, 1907, page 294, "The Gyroscope as a Compass".

Engineering, (London) June 23, 1911, page 816, "The Gyro Compass".

"Das Unterseeboot im Dienste der Polar-Forschung", von Dr. Anschütz Kaempfe, lecture given January 1902 before der K. K. Geographischen Gesellschaft in Wien.

"Der Kreisel als Richtungsweiser auf der Erde mit besonderer Berücksichtigung seiner Verwendbarkeit auf Schiffen", von Dr. Anschütz Kaempfe, lecture given November 19, 1908, before der Schiffbautechnische Gesellschaft in Berlin, published 1909.

and in various other publications now unknown to defendant but which when known it begs leave by proper amendment to insert in this answer.

17. Defendant is informed and believes and therefore avers that said several Letters Patent Nos. 1,186,856 1,242,065, 1,255,480, [fol. 73] 1,279,471, 1,296,439, 1,300,890 and 1,403,062, and each of them were and are invalid and void because the patentee thereof was not the original and first inventor or discoverer of the alleged inventions purporting to be patented in and by the said several Letters Patent, but that the same and every material part thereof were, prior to the alleged invention thereof by the patentee, invented, if there be any patentable invention therein, by or known to and used by Anschütz & Company, of Kiel, Germany, and knowledge thereof was obtained by the patentee of the said patents from representatives of or apparatus made by Anschütz & Company.

Wherefore, the defendant prays that the Bill of Complaint be dismissed.

Pennie, Davis, Marvin & Edmonds, Solicitors for Defendant.
Allan S. Edwards, of Counsel.

New York, N. Y., May 11, 1924.

[fol. 74] IN UNITED STATES DISTRICT COURT

[Title omitted]

NOTICE OF MOTION TO STRIKE

D. Anthony Usina, Esq., Solicitor for Plaintiff, 71 Broadway, New York.

SIR: Please take notice that on Wednesday, June 19, 1924, at 10:30 o'clock in the fore noon, we shall present the motion annexed hereto to a Judge of the United States District Court for the Eastern

District of New York, at the court house of said Court at Brooklyn, New York.

Pennie, Davis, Marvin and Edmonds, Solicitors for Defendant,
165 Broadway, New York.

Dated, New York, May 29, 1924.

Service of the foregoing notice and a copy of the motion referred to therein acknowledged this 2nd day of June, 1924.

D. A. U., Solicitor for Plaintiff.

[fol. 75] IN UNITED STATES DISTRICT COURT

[Title omitted]

MOTION TO STRIKE

Now comes the defendant, by its solicitors, Pennie, Davis, Marvin and Edmonds, and moves:

I. That the following be stricken from the Bill of Complaint filed by the plaintiff herein, in view of the provisions of the Act of Congress dated July 1, 1918, to wit: In the paragraph numbered 41 of said Bill of Complaint, the matter in the 12th to the 19th lines of said paragraph beginning with the word "specifically" and ending with the word "plaintiff"; the word "both" in the 22nd line; and the words "and to the United States Navy Department" in the 22nd and 23rd lines.

II. That the Bill of Complaint be dismissed so far as concerns the cause of action for unfair competition set forth in paragraphs 45, 46 and 47 thereof, and that the said paragraphs 45, 46 and 47 be stricken from the Bill of Complaint, on the ground that this Court is without jurisdiction to pass upon the said claim for unfair competition as the parties hereto are corporations of the same state and residents of the same judicial district; and

[fol. 76] III. That this cause be dismissed for lack of jurisdiction of this Court for the reasons set forth in paragraph 11 of the answer filed by the defendant herein; or that, in the alternative, the cause be set down for hearing on the issue of jurisdiction set forth in said paragraph 11 of the answer separate from, and in advance of trial on the issues presented by the remainder of the answer under equity Rule No. 29.

Pennie, Davis, Marvin and Edmonds, Solicitors for Defendant.
Dated New York, N. Y., May 29, 1924.

[Title omitted]

OPINION—July 31, 1924

D. Anthony Usina, solicitor for plaintiff.

Pennie, Davis, Marvin & Edmonds, solicitors for defendant.

CAMPBELL, D. J.:

This is a suit in equity to restrain the alleged infringement of nine different patents, and for damages, and comes before this Court on a motion to strike out certain portions of the Bill of Complaint herein and to dismiss the said Bill of Complaint, and is divided into three parts, as follows:

The defendant in the first paragraph of the motion seeks to have stricken from the Bill of Complaint, in the paragraph thereof numbered 41, the following:

[fol. 78] * * * specifically that the defendant has made and sold and contracted to make and sell to the United States Navy Department subsequently to the dates of said patents and within six years next preceding the filing of this complaint, to wit; during the years 1918 to 1923, a number of gyroscopic compasses in infringement of the aforesaid Letters Patent without license or consent of plaintiff and against the positive protest of plaintiff; * * * and to the United States Navy Department * * * ”,

on the ground that such a cause of action does not come within the jurisdiction of this court.

This claim of the defendant is based upon the provisions of an Act of Congress approved July 1, 1918, so much of which as is necessary for consideration in the action at bar reads as follows:

“Whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof, or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.”

This was not an entirely new enactment but was developed from an Act of June 25, 1910, Ch. 423, 36 Stat. L. 851, so much of which as is necessary for consideration in the matter at bar reads as follows:

[fol. 79] “An Act to provide additional protection for owners of patents of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when-

ever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims."

The purpose of the change shown in the Act of 1918 appears in the letters referred to in the opinion in *Wood v. Atlantic Gulf & Pacific Co.*, 296 Fed., 718. Congress intended by the Act of July 1, 1918 to put an end to suits in the District Courts in connection with apparatus made for the United States, and inasmuch as the sovereign could not be sued without its consent, it had a perfect right to determine in what court the action might be maintained.

In *Foundation Co. v. Underpinning & Foundation Co.*, 256 Fed. 374, which was a parallel case, the defendant was constructing the foundations for the United States Assay Offices, in New York City, [fol. 80] and plaintiff alleged that in doing the work the defendant was using a caisson covered by plaintiff's patent, and prayed for a preliminary injunction.

The question of the jurisdiction of the District Court under the Act of July 1, 1918 was raised because the work was being done under a contract with a branch of the United States Government, and the injunction was denied, thus sustaining the claim of the lack of jurisdiction, as the Act of July 1, 1918 and its effect was the only question discussed in the opinion of Circuit Judge Mayer, then a District Judge, who at page 375 said:

"The sovereign power, therefore, which cannot be sued without its consent, has decided to protect itself by treating such a situation as that at bar as a claim, in effect, against itself for full money compensation, and has thus created, not only a cause of action against itself for reasonable compensation, but for whatever may be 'entire' compensation."

In *Floyd Smith Aerial Co. v. Irving Air Chute Co.*, 276 Fed. 834, defendant had manufactured certain types of parachutes for a branch of the Government, and certain other types for commercial sale, and the Court held that under the Act of July 1, 1918 it had [fol. 81] no jurisdiction with respect to those made for the Government, and Judge Hazel, at page 839, said:

"Complainant, however, insists for an accounting as to profits and damages arising from sales to the government of the infringing apparatus, and also for an injunction as to future contracts with the government for constructions of life packs. Such relief, however, in view of the statute and the contractual obligations assumed by the government, is not permissible. * * * The amendment of 1918, enlarging the earlier Act of 1910, clearly shows that Congress intended that the government should be left free to contract with any one for the manufacture of any article used by it, and if as a result thereof a patented invention is manufactured or used 'by or for the United States without license of the owner,' such owner's remedy

is to recover a reasonable compensation for such use or manufacture in a suit against the United States in the Court of Claims."

Plaintiff cites *Wood v. Atlantic Gulf & Pacific Co.*, supra, as sustaining its contention that the Act does not apply unless the Government has knowledge of and consents to the infringement, but I am not in accord with such finding, if applied to the case at bar, but that case is clearly distinguishable from the case at bar because in that case the manufacturer, in making the article for the Government [fol. 82] ment, was alleged to have infringed by using a patented tool in his manufacturing, instead of it being alleged, as in the case at bar, that the very article which the Government bought infringed.

I find no support for the plaintiff's contention that there is a distinction which takes out from the purview of the statute articles manufactured by an independent contractor under contract with and sold to the Government from articles manufactured by an independent contractor for the Government, because purchase by the Government is ordinarily for its use and not for resale, and the statute applies to "use" as well as to manufacture.

An injunction restraining the independent contractor from manufacturing and selling to the Government under contract articles for the use of the Government, would be as detrimental to the interest of the Government as would an injunction against the Government itself, if that was possible.

There is no attempt by the Act of 1918 to take the property of the owner of any patent without compensation, on the contrary the Government, under the conditions set forth in the statute, has agreed that the owner's remedy shall be by suit against the United States of [fol. 83] America, in the Court of Claims, for the recovery of his reasonable and entire compensation for such use and manufacture.

That the Act of July 1, 1918 was controlling in the case at bar seems to have been held by Judge Inch in this court, because on objection by the defendant he limited the interrogatories propounded by plaintiff as follows:

"I direct that they be limited to defendant's dealing with the general public and that defendant is not required to answer in regard to any facts relating to contracts or performance of same with the United States Government in any of its branches."

This Court is without jurisdiction as to the alleged infringement of the plaintiff's patent in so far as it relates to gyroscopic compasses made and sold under contract with, and contracted to be made and sold to the United States Navy Department, and the relief asked for in the first paragraph of the defendant's motion is granted.

The defendant in the second paragraph of the motion seeks to have the Bill of Complaint dismissed so far as concerns the cause of action [fol. 84] for unfair competition set forth in paragraphs 45, 46 and 47, and that said paragraphs be stricken from the complaint on the ground that this court is without jurisdiction to pass upon the claim

of unfair competition, as the parties hereto are corporations of the same State and residents of the same Judicial District.

The paragraphs of the Complaint to which reference is made, viz., 45, 46 and 47, allege a separate cause of action for unfair competition, and are not merely allegations in aggravation of damages.

Plaintiff cites in opposition a number of cases all but one of which were decided in other Circuits, and that case, *Mallinson v. Ryan*, 243 Fed. 951, is not in my opinion an authority in support of plaintiff's contention but is an authority in support of defendant's contention, because the unfair competition alleged in the action at bar, of seeking to undermine plaintiff's reputation with customers and to damage plaintiff's good will and standing in the shipping and financial world by false and misleading representations, as stated by District Judge Mayer in his opinion in *Mallinson v. Ryan*, *supra*, at page 953, "arise [fol. 85] essentially from acts independent of the infringement, the facts making up the unfair competition would constitute an independent cause of action."

The law in this Circuit appears to be definitely settled, as contended by the defendant.

National Casket Co. v. New York & Brooklyn Casket Co., 185 Fed. 533.

Hutchinson, Pierce & Co. v. Loewy, 163 Fed. 42.

Burt v. Smith, 71 Fed. 161.

Johnston v. Brass Goods Mfg. Co., 301 Fed. 368.

Bernstein v. Danwitz, 190 Fed. 604.

Keasby & Mattison Co. v. Philip Cary Mfg. Co.

In *National Casket Co. v. New York & Brooklyn Casket Co.*, *supra*, Judge Lacombe, speaking for the Circuit Court of Appeals, at page 534, said:

"Both parties are residents of this state. The complainant owns a design patent, which it is alleged defendant infringes, a controversy of which this court has jurisdiction. It holds no trademark under the federal statutes, and of any controversy between these parties as to a common-law trademark, or as to unfair competition in trade, this court has no jurisdiction, since there is no diversity of citizenship."

And again said:

"In this circuit the law is well settled that the federal court's jurisdiction cannot be extended by uniting in the same complaint a cause of action of which it has no jurisdiction with one of which it has."

[fol. 86] In *Hutchinson, Pierce & Co. v. Loewy*, *supra*, Judge Ward, speaking for the Circuit Court of Appeals, said:

"This is an action in equity for an injunction, an accounting of profits and damages; the complainant alleging that the defendant has infringed its technical trade-mark applied to shirts and has also been

guilty of unfair competition. As the complainant is a corporation of the State of New York, and the defendant is a citizen of the same State, the court's jurisdiction extends only to the use of the registered trade-mark in commerce between the States, with foreign nations and the Indian tribes."

In *Burt v. Smith*, *supra*, Judge Lacombe, speaking for the Court of Appeals, at page 163, said:

"The complainant and defendants are all citizens of the same state. The Federal Court can take jurisdiction, therefore, only of the question whether the registered trade-mark declared upon has been infringed."

In *Johnston v. Brass Goods Mfg. Co.*, *supra*, this Court applied the same rule, and Judge Chatfield in his opinion said:

"As well could infringement and an action for specific performance of contract to sell real estate between the parties to the patent suit be united, on the ground that the court had jurisdiction of the parties."

The rule of this Circuit seems to be the rule of the Supreme Court, [fol. 87] *Geneva Furniture Manufacturing Co. v. Karpen*, 238 U. S. 254, in which Mr. Justice Van Devanter, at page 259, said:

"It hardly needs statement that the jurisdiction as limited and fixed by Congress cannot be enlarged or extended by uniting in a single suit causes of action of which the court is without jurisdiction with one of which it has jurisdiction. Upon this point the rule otherwise prevailing respecting the joinder of causes of action in suits in equity must of course yield to the jurisdictional statute."

The relief asked for in the second paragraph of the defendant's motion is granted.

The defendant in the third paragraph of the motion seeks to have the cause dismissed for lack of jurisdiction, for the reasons set forth in paragraph 11 of the defendant's Answer, or in the alternative that the cause be set down for hearing on the issue of jurisdiction set forth in said paragraph 11 of the Answer, separate from and in advance of trial on the issues presented by the remainder of the Answer under Equity Rule No. 29.

Having determined that this Court has no jurisdiction as to the gyroscopes manufactured and sold under contract to the Navy Department, and that the cause of action for unfair competition be dismissed, there remains only the cause of action for threatened infringement.

[fol. 88] As to the action for threatened infringement an issue of fact is tendered and that cause of action cannot be dismissed.

The defendant strenuously denies threatened infringement and in its Answer makes allegations which if they can be supported renders it doubtful if there has been any threatened infringement.

A trial of the whole issue that remains, involving nine patents with eighty-two claims, will be very expensive for both parties, and will occupy the time of a part of the court for perhaps a month, all of which will be wasted time and money unless there be, as was said by Judge Story, in *Woodworth v. Stone*, Fed. Cases No. 18,021:

"Well grounded proof of an apprehended intention of the defendant to violate the patent right."

And yet I do not see how this can be avoided because to do as defendant suggests would not greatly shorten the trial.

A hearing in advance of the trial as suggested by the defendant on the merits, on the single issue of whether or not defendant has threatened to infringe upon any patents of the plaintiff, and if so what particular patent or patents, would, in my opinion, require the [fol. 89] determination of substantially all the questions that will be presented on the final hearing, because if any proof be made that defendant has offered to sell to or to make for any one other than the Navy Department gyroscopes, it must be determined what were their specific structures, and whether they were infringements of plaintiff's patents, and that of necessity would require a determination of the validity of plaintiff's patents and a construction of the claims thereof.

I have carefully examined the cases cited by the defendant but in my opinion they do not sustain defendant's contention.

In *Alexander v. Fidelity Trust Co.*, 215 Fed. 791, the issue tried in advance of final hearing was that of "lack of equity because of gross laches," which could readily be done without taking any evidence as to the main issue.

In *Sanitary Street Flushing Mach. Co. v. Studebaker Corp.*, 226 Fed. 797, the issue tried in advance was the defense of *res adjudicata*, which also did not require proof of the main issue.

In *Cleveland Engineering Co. v. Galion D. M. Truck Co.*, 243 Fed. 405, the issue tried in advance was the title of plaintiff to [fol. 90] the patents on which the suit was based. This likewise did not require any proof of the main issue of infringement.

In *Robbins v. Elk Basin Consol. Petroleum Co.*, 285 Fed. 179, the issues on which a trial in advance was asked were (1) That there had been a hearing and adjudication by the Interior Department; (2) Statute of Limitations; (3) Laches.

I am therefore of the opinion that under Rule 29 of the Equity Rules, so much thereof as is necessary for consideration in the instant case reading as follows:

* * * * *

"Any every such point of law going to the whole or a material part of the cause or causes of action stated in the bill may be called up and disposed of before final hearing at the discretion of the court. Every defense heretofore presentable by plea in bar or abatement shall be made in the answer and may be separately heard and disposed of before the trial of the principal case in the discretion of the court."

I am without power to order a trial separately before the trial of the principal case of the question of "threatened infringement," as that is the main issue which I have left in the case for trial.

The trial in advance of the final hearing of the issue of "threat- [fol. 91] ened infringement," asked for in the third paragraph of the defendant's motion, is therefore denied.

Settle order on notice.

— — —, U. S. D. J.

[fol. 92]

IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER RE BILL OF COMPLAINT—October 3, 1924

On motion of plaintiff, and with the consent of defendant, it is ordered

1. That the bill of complaint herein be dismissed on the merits with respect to the cause of action for threatened infringement set forth more particularly in paragraph 41 thereof.

2. That said bill of complaint herein be dismissed without prejudice with respect to the cause of action for unfair competition set forth more particularly in paragraphs 45, 46 and 47 thereof.

3. That the following be substituted for paragraph 41 of the said bill of complaint:

41. That the defendant, well knowing the premises but with intent to injure the plaintiff, to interfere with its business and to deprive it of the profits derived and to be derived from making, using and selling said inventions, has, within the Eastern District of New York and without the license or consent of plaintiff but against its positive protest, made a number of gyroscopic compasses for and sold them to the United States Navy Department under contract [fol. 93] with the said Navy Department, subsequent to the dates of said patents and within six years next preceding the filing of this complaint, to wit: during the years 1918 to 1923, all in infringement of the aforesaid Letters Patent; and that defendant is preparing and threatening to infringe said patents more extensively by the manufacture of said infringing apparatus for and its sale to the United States Navy Department under contract with the said Department and thus to inflict further injury, damage and loss upon the plaintiff; but to what extent the defendant has profited by reason of the aforesaid infringement, plaintiff is ignorant and cannot set forth and prays an account thereof.

4. That paragraphs 45, 46 and 47 of the said bill of complaint and the portion of paragraph 48 appearing in the last fourteen lines on page 18 thereof be stricken therefrom.

5. That paragraph 48 thus amended be renumbered paragraph 45.

Marcus B. Campbell, United States District Judge.

Approved as to form.

D. A. Usina, Solicitor for Plaintiff. Dated Sep. 26, 1924.
Pennie, Davis, Marvin & Edmonds, Solicitors for Defendant. Dated Sept. 29, 1924.

[fol. 94]

IN UNITED STATES DISTRICT COURT

[Title omitted]

DECREE—October 9, 1924

This cause having come on to be heard on the pleadings and proceedings herein,

Now, on motion of the defendant, and after hearing D. Anthony Usina, Esq., in behalf of the plaintiff, and Charles Neave, Esq., and Dean S. Edmonds, Esq., in behalf of the defendant, it is

Ordered, adjudged and decreed that the bill of complaint herein be, and the same hereby is dismissed for lack of jurisdiction.

Marcus B. Campbell, United States District Judge.

Approved as to form.

D. Anthony Usina, Solicitor for Plaintiff. Dated Oct. 6, 1924. Pennie, Davis, Marvin & Edmonds, Solicitors for Defendant. Dated Oct. 6, 1924.

Entered Oct. 9, 1924.

[fol. 95]

IN UNITED STATES DISTRICT COURT

[Title omitted]

PETITION FOR ALLOWANCE OF APPEAL—Filed December 30, 1924

The above named plaintiff, conceiving itself aggrieved by the order and decree made and entered in the above entitled cause on the 9th day of October, 1924 wherein and whereby it was ordered, adjudged and decreed that plaintiff's bill be dismissed for lack of jurisdiction of this Court, does hereby appeal from the said order and decree of the 9th day of October, 1924 to the Supreme Court of the United States for the reasons specified in the assignment of errors filed herein and it prays that this appeal may be allowed and that a transcript of the record, papers and proceedings upon which said order and decree was made, duly authenticated, may be sent to the Supreme Court of the United States.

D. Anthony Usina, Solicitor for Plaintiff.

[fol. 96]

IN UNITED STATES DISTRICT COURT

[Title omitted]

ASSIGNMENT OF ERRORS—Filed December 30, 1924

Now comes the plaintiff and files the following assignment of errors upon which it will rely upon its prosecution of this appeal from the decree made by this Honorable Court on the 9th day of October, 1924 in the above entitled cause.

I

In dismissing plaintiff's bill for lack of jurisdiction of this Court,

II

In not making, rendering and entering a decree in favor of the plaintiff and against the defendant, sustaining the validity of the patents sued on, adjudging an infringement thereof by the defendant and granting an injunction against the defendant restraining it from further infringement, and also damages and profits.

III

In holding that this Honorable Court has no jurisdiction of the question of patent infringement by the defendant as to the gyroscopes manufactured and sold under contract to the Navy Department.

D. Anthony Usina, Solicitor for Plaintiff.

[fol. 97]

IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER ALLOWING APPEAL—Filed December 30, 1924

On motion of D. Anthony Usina, Esq., Solicitor for Plaintiff, it is, Ordered, that an appeal to the Supreme Court of the United States from the final decree heretofore filed and entered herein be, and the same hereby is, allowed, and that a certified transcript of the record, testimony, exhibits, stipulations and all proceedings herein be forthwith transmitted to said Supreme Court of the United States. It is

Further ordered, that a bond for costs and damages on appeal be fixed at the sum of Two Hundred and Fifty (\$250.00) Dollars.
Marcus B. Campbell, District Judge.

[fol. 98]

IN UNITED STATES DISTRICT COURT

[Title omitted]

JUDGE'S CERTIFICATE—Filed December 30, 1924

To the Chief Justice and the Associate Justices of the Supreme Court
of the United States:

I hereby certify that the decree entered in the above entitled case on October 9th, 1924 sustaining the motion of defendant and dismissing the bill of complaint was a decree on the sole question of the jurisdiction of this Court.

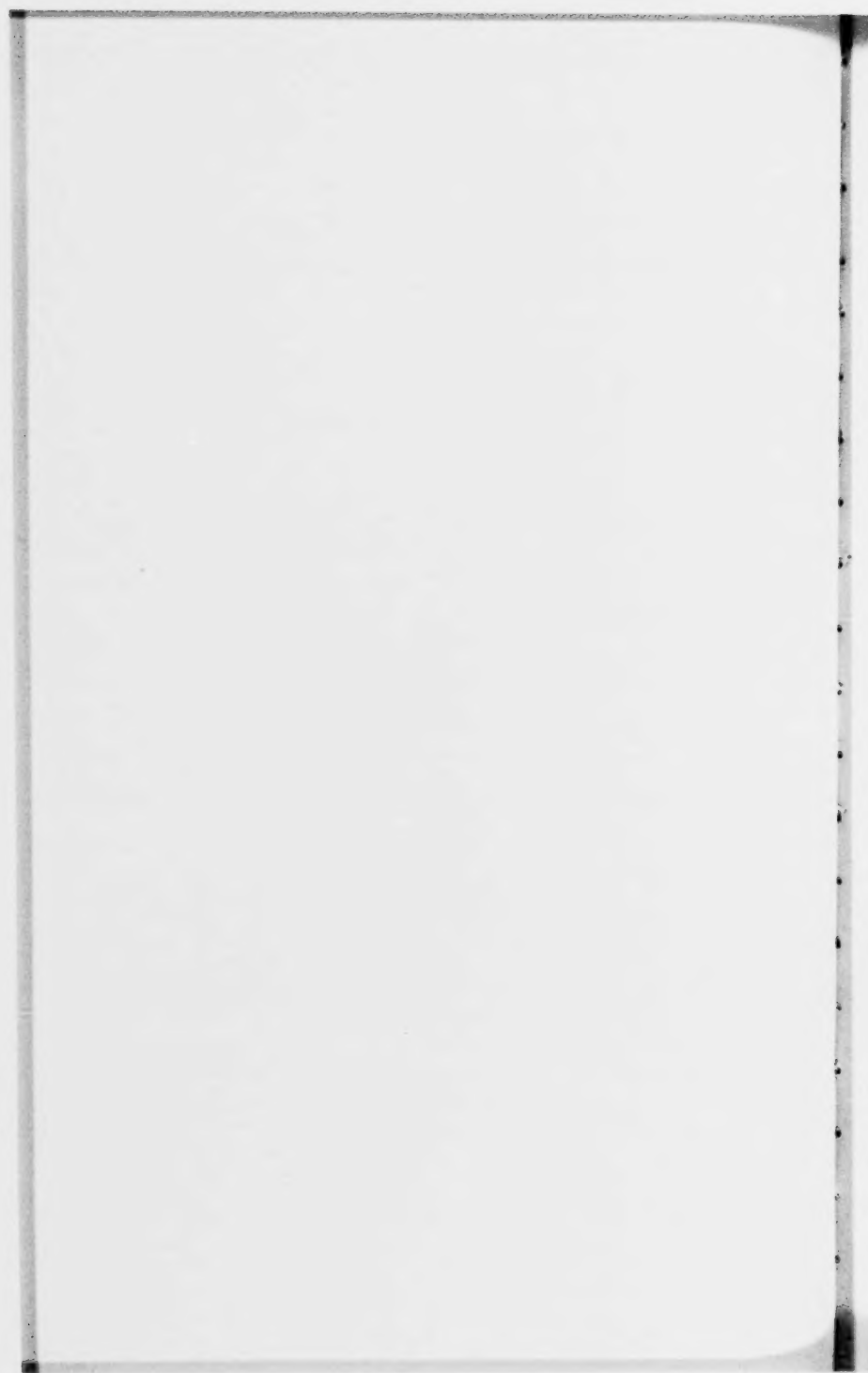
Marcus B. Campbell, Judge.

[fols. 99 & 100] CITATION—In usual form, showing service on Pennie, Davis, Marvin & Edmonds; omitted in printing.

[fol. 101] STIPULATION RE TRANSCRIPT OF RECORD—Omitted; printed side page 2 ante

Endorsed on cover: File No. 30,784. E. New York D. C. U. S. Term No. 819. Sperry Gyroscope Company, appellant, vs. Arma Engineering Company. Filed January 2nd, 1925. File No. 30,784.

(6081)



Office Supreme Court, U.S.

FILED

FEB 27 1926

WM. B. ST. CLAIR

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1925

No. 239

SPERRY GYROSCOPE COMPANY
PLAINTIFF-APPELLANT

v.

ARMA ENGINEERING COMPANY
DEFENDANT-APPELLEE

BRIEF FOR PLAINTIFF-APPELLANT

On Appeal from the District Court of the United States
for the Eastern District of New York

MELVILLE CHURCH
HERBERT H. THOMPSON
D. ANTHONY USINA

Counsel for Plaintiff-Appellant



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IN THE
Supreme Court of the United States

OCTOBER TERM, 1924.

No. 819.

SPERRY GYROSCOPE COMPANY,
PLAINTIFF-APPELLANT,

v.

ARMA ENGINEERING COMPANY,
DEFENDANT-APPELLEE.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE EASTERN DISTRICT OF NEW YORK.

BRIEF FOR PLAINTIFF-APPELLANT*

This action was brought in the District Court for infringement of nine patents relating to gyroscopic compasses. The Bill of Complaint alleged that the defendant made and sold infringing apparatus to the United States Navy Department and was threatening to infringe more extensively by the manufacture and sale of infringing apparatus to the United States Navy Department. On motion to strike, by defendant, the court held in an opinion by Judge Campbell (p. 44), that "this court is without jurisdiction as to the alleged infringement of the plaintiff's patent in so far as it relates to gyroscopic compasses made

* The page references, except where otherwise indicated, are to the Transcript of Record.

and sold under contract with, and contracted to be made and sold to the United States Navy Department, and the relief asked for in the first paragraph of the defendant's motion is granted."

There were other causes of action set up in the complaint. The plaintiff, however, for the purpose of determining the jurisdiction of the court on the question of manufacture and sale by the defendant to the Navy Department, eliminated all other grounds of complaint and, with the consent of defendant, had an order entered dismissing the bill as to other causes and striking out irrelevant paragraphs and restricting the paragraph alleging infringement to the following (p. 48):

X "41. That the defendant, well knowing the premises but with intent to injure the plaintiff, to interfere with its business and to deprive it of the profits derived and to be derived from making, using and selling said inventions, has, within the Eastern District of New York and without the license or consent of plaintiff but against its positive protest, made a number of gyroscopic compasses for and sold them to the United States Navy Department under contract with the said Navy Department, subsequent to the dates of said patents, to wit: during the years 1918 to 1923, all in infringement of the aforesaid Letters Patent; and that defendant is preparing and threatening to infringe said patents more extensively by the manufacture of said infringing apparatus for and its sale to the United States Navy Department under contract with the said Department and thus to inflict further injury, damage and loss upon the plaintiff; but to what extent the defendant has profited by reason of the aforesaid infringement, plaintiff is ignorant and cannot set forth and prays an account thereof."

The last section of the bill (p. 11) prays that defendant be compelled to pay profits and damages and "that defendant * * * be perpetually enjoined and restrained" from further infringement.

On the bill thus amended and restricted, the District Judge decreed (p. 49) that the bill of complaint be "dismissed for lack of jurisdiction."

Thereupon, on December 30, 1924, a petition for appeal was presented and allowed and the District Judge certified (p. 51) that "the decree sustaining the motion of defendant and dismissing the bill of complaint was a decree on the sole question of the jurisdiction of this court."

The basis of the District Judge's opinion on this point is the Act of Congress of July 1, 1918 (p. 42).

No testimony has been taken and the sole question is one of law. Assuming that defendant has infringed plaintiff's patents, in the manufacture and sale of the apparatus to the Navy Department, and is threatening to repeat such infringement, does the Act of July 1, 1918, deprive the District Court of jurisdiction?

History of the Law.

The jurisdiction of the District Court is based on the Act of March 3, 1911 (Judicial Code).

"Sec. 24. The district courts shall have original jurisdiction as follows: * * *

"Seventh: Of all suits in law and equity arising under the patent, the copyright, and the trade mark laws."

In such suits the Revised Statutes provide:

"Sec. 4921. The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the

course and principles of Courts of Equity, to prevent the violation of any right secured by patent
 * * *

These statutes were enacted in accordance with the Constitutional provision:

"Art. I, Sec. 8. The Congress shall have power
 * * * to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Under the statutes referred to above, the plaintiff's right to bring an action for injunction and profits and damages was well established with the sole exception that an inventor could not sue the United States for an infringement, on the theory that a Sovereign could not be sued against his will.

When the Court of Claims was established it was held that where the United States had contracted directly or impliedly with the patentee, an action on the contract could be brought in the Court of Claims; but that the Court of Claims had no jurisdiction of actions sounding in tort, such as patent infringement, because of the fundamental rule that a State cannot be sued without its consent.

In discussing this situation, this Court said in a number of cases that the failure of Congress to provide for suits against the United States for patent infringement was not a license to the Government but merely a failure to provide a remedy against infringement; that it was wrong for one department of the Government to take property granted to a citizen by another department, or to invade a monopoly so granted; and finally that it was not to be presumed in any given case that a department of the Government would knowingly commit such a wrong.

To remedy the injustice arising from such a situation, Congress enacted a statute on June 25, 1910, reading:

"An Act to provide additional protection for owners of patents of the United States and for other purposes.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims."

The Supreme Court in *Crozier v. Krupp*, 224 U. S., 290, 304, referring to the injustice of the situation previously existing, calls attention to the title of this Act of 1910, saying:

"Evidently inspired by the injustice of this rule as applied to rights of the character of those embraced by patents, because of the frequent possibility of their infringement by the acts of officers under circumstances which would not justify the implication of a contract, the intention of the statute to create a remedy for this condition is illustrated by the declaration in the title that the statute was enacted 'to provide additional protection for owners of patents.'"

Previously a patentee's only right of protection was against contractors for the Government. Now, by the Act of 1910 he was given *additional* protection. He could also bring an action in the Court of Claims against the United States.

This Act of 1910 did not authorize the use of the pat-

ented inventions of others at the will of private parties in the manufacture of apparatus to be furnished under contracts between them and the United States. That is to say, in giving a right of action in the Court of Claims for compensation, it did not relieve the infringing contractor. The patentee could still bring an action against him for injunction, and also for damages and profits made by him out of the infringement. This is made clear by the opinion of the Supreme Court in *Cramp & Sons v. Curtis Turbine Company*, 246 U. S., 28. This opinion says that the Act of 1910 is to give "further" security to the patentee.

During the war the Act of July 1, 1918, was passed. This reads:

"The Act entitled 'An Act to provide additional protection for the owners of patents of the United States, and for other purposes' approved June twenty-fifth, Nineteen Hundred and Ten, shall be and the same hereby is, amended to read as follows, namely:

"That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: Provided, however, That said Court of Claims shall not entertain a suit or award compensation under the provisions of this act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: Provided further, That in any such suit the United

States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in title sixty of the Revised Statutes, or otherwise; And provided further, That the benefits of this act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this act apply to any device discovered or invented by such employee during the time of his employment or service."

The interpretation of the Act of 1918 has not previously been presented to this court. The adjudications in the lower courts have been conflicting.

The first published opinion on this subject was in *Foundation Company v. Underpinning and Foundation Company*, 256 Fed Rep., 374 (opinion dated January 27, 1919). The United States Attorney appeared as *amicus curiae*. The court expressed the view that the statute was intended to give a "complete" (not a sole) remedy against the United States, but that whether plaintiff had a cause of action against defendant was not up for decision. And in view of the doubts on the subject, denied the motion for preliminary injunction.

This was a case in which the defendant was putting up a building for the Treasury Department and in building the foundation therefor used the patented caisson of the plaintiff. It was not the sale of a commercial product, but was a contract to do work designed in every detail by the Government.

In *Floyd Smith Company v. Irving Company*, 276 Fed. Rep., 834, the District Court in the Western District of New York distinguished between infringement by ap-

paratus sold to individuals as to which a decree was entered holding the patent valid and infringed, and the manufacture of apparatus for the United States, as to which it refused a decree. The Government in that case apparently designed the types of infringing apparatus which the defendant made for it, and "saved the defendant harmless" from all demands or liability for the manufacture and use of the patented invention in question.

But there is no allegation or evidence of any such contract and there is no presumption that the Government has thus deliberately designed an apparatus and assumed responsibility for infringement of plaintiff's patents. The presumption is rather that the Government required that defendant save it harmless as is usual where the Government buys an apparatus from a manufacturer on which others might have patents.

The *Foundation Company* case is hardly entitled to much weight, being merely on motion for preliminary injunction. In the *Floyd Smith* case the Government "saved the defendant harmless" and thus took upon itself the entire burden of appropriating the invention; which, as far as we know and believe, is just the opposite of the present case. At any rate there is no evidence that the Government saved the defendant harmless in the present case.

There is one other case, that of *Wood v. Atlantic Gulf and Pacific Co.*, 296 Fed. Rep., 718, in which the court declined to follow the opinion in the *Foundation* case. The *Wood* case distinguishes between those infringements by a contractor for which the United States will be responsible and those for which it will not be responsible. This case is referred to at length hereinafter.

Outline of Argument.

Plaintiff's view of the law and particularly of the Act of July 1, 1918, may be briefly stated as follows:

I. The Act provides patentees with an additional remedy by action against the United States without depriving them of their right of action against independent manufacturers.

II. If the Act deprives patentees of their right of action against independent manufacturers, it is invalid, being a violation of the Constitution.

III. If the Government would exercise its right of eminent domain, to take the property of the plaintiff and transfer it to defendant, the Government must specifically appropriate such right in specific patents and by due process of law.

IV. If the Act is a proper exercise of the right of eminent domain it applies only under circumstances which indicate an intention by the Government to take the patented invention and to itself assume full liability to the patentees.

V. Since it is doubtful if the United States would admit jurisdiction of the Court of Claims on account of the present infringement, or that that court would take jurisdiction, plaintiff should not be denied its remedy in the District Court.

VI. Even if the Act is construed to deprive patentees of their right of action against independent manufacturers, it cannot apply to patents granted prior to the passage of the Act since to do so would be to abrogate the contract made by the application for and grant of the patents.

I. The law provides patentees with an additional remedy without depriving them of previous remedies.

1. The first thing noticeable in this enactment is that it refers back to the Statute of 1910 and retains the title of the latter, indicating its purpose to provide additional protection,—not any purpose to deprive a patentee of protection.

The title of the Act does not suggest an intention to deprive inventors of previous rights or remedies, but suggests only an extension of the protection previously provided. The title is

“The Act Entitled ‘An Act to provide additional protection for the owners of patents of the United States, and for other purposes,’ approved June twenty-fifth, Nineteen Hundred and Ten, shall be and the same hereby is, amended to read as follows, namely”

What is the Act which is thus to be amended? It is the Act of June 25, 1910, quoted above which for the first time gave to patent owners the right to recover in the Court of Claims for infringement by the United States. To this the Act of 1918 added the right of suing the United States in the Court of Claims where the infringement was not only by the United States but also by an independent contractor. We cannot find in the title of the Act of 1918 any indication that there was an intention to deprive an inventor of any previously existing right. And the language of the Act should not be construed to this effect by doubtful inference or by anything else than the plain and obvious meaning of the words.

2. What is the additional protection secured by the

Act of 1918? It is the right to recover in one suit the "entire compensation" for the two infringements,—the infringement by the manufacturer and the infringement by the United States. The statute (Sec. 4884, R. S.) provides for a monopoly in three different respects, making, using and selling. The Act of 1918 refers to cases where the contractor violates the right to make and the Government violates the right to use. Heretofore the patentee in order to recover his entire compensation for past infringement had to sue the contractor in the District Court for damages involved in the manufacture of the infringing apparatus and to sue the United States in the Court of Claims for compensation for the use of the apparatus. This was a cumbersome and expensive method of recovery.

The Act of 1918 permits the patentee to accomplish the same result by a single suit against the United States in the Court of Claims. This, we take it, is the additional protection secured by the Act. If the patentee desires entire compensation for both manufacture and use of infringing apparatus, he is given a remedy in a single suit. But if he desires only damages from the manufacturer, there is nothing in the Act of 1918 that prevents him from bringing an action in the District Court for this part of his compensation.

The statute does not state that the remedy referred to is the *sole remedy*. The words "entire compensation" mean "full compensation" or "just compensation" for the double infringement by the manufacturer and by the United States; but they do not mean necessarily sole remedy for infringement by the manufacturer. And unless this is their meaning, it is not to be implied. The patentee may be entitled to recover from the United States entire compensation for the injury done, and he may at the

same time have an alternative right to recover damages from the manufacturer alone.

It is not uncommon to provide a party with two or more remedies for the same injury against different parties. A common example is the case of an endorsed note where the holder has a right to an entire recovery from either the endorser or the maker.

Nowhere does the Act say that a patentee may not sue and recover from a private infringer. It is contrary to all rules of construction to imply into the statute such an extraordinary change of the law, and one which would render it unconstitutional, as we have pointed out elsewhere.

3. The additional remedy provided by the Act of 1918 is limited to a certain kind of manufacturing contracts, as distinguished from ordinary contracts of sale.

The Act of 1910 covered only infringing *use* by the United States. The Act of 1918 covers use by the United States and manufacture by the contractor. The language is "used or manufactured by or for the United States," "right to use or manufacture the same," "reasonable and entire compensation for such use and manufacture." The contractor's savings and advantages in manufacture are provided for. The Government's advantages in use are provided for. But no provision is specifically made for recovery of profits made on a manufacturer's sales to the United States.

Congress, in failing to include recovery for infringement by *selling* to the United States, meant to limit the Act to cases in which the contract was one of agency. Such an interpretation would exclude the present case of a manufacturer having a contract to sell to the United States a number of machines of the manufacturer's design at a certain price, and at a profit which is unknown to the

United States and in which the United States has no contractual interest.

If this is the meaning of the Act, as plaintiff believes it to be, then the additional remedy is provided only where the contractor is an agent who provides labor and material to be expended under direction of officers of the United States as, for example, the building of torpedo boats for the Navy (the *Cramp* case). The patentee may recover compensation from such a contractor or agent by suing the principal, the United States, in the Court of Claims.

4. There is a further right of a patentee, generally more important than all the others together, for which no additional protection is provided in the Act of 1918. This is the right to prevent continued violation of the patent, the right to an injunction. The additional protection provided is limited to the securing of compensation for past manufacture by the contractor. To this extent the remedy provided is one of limited application. Ordinarily the recovery of damages for past infringement is sufficient to deter the infringer from repetition of the tort. But the statutes have provided the additional remedy by injunction, and this is often necessary to the patentee.

We have shown that the Act in question does not refer to sales and provides no remedy for this kind of infringement. It is equally true that in referring only to compensation it provides no remedy against the threat of continued sales.

The question arises whether the word "compensation" in the Act can be construed to include compensation for depriving the plaintiff of his monopoly or right to an injunction. The defendant here, the contractor, would not be before the Court of Claims in a suit brought under

the Act of 1918. Nor is the Court of Claims authorized, either generally or by the Act of 1918, to grant injunctions. Does the Act mean that the Court of Claims can in an action against the Government compel the latter to compensate the patent owner by paying him what the injunction or monopoly for the term of the patent would be worth? In effect this would be to give the Court of Claims the right to grant licenses at determined prices. We do not believe the Act has any such effect. Yet otherwise the Court could not give plaintiff its *entire* compensation.

The Act says "that whenever an invention * * * shall hereafter be manufactured for the United States," the patent owner's remedy shall be, and so forth.

The Act does not refer to threats of infringement or to continuing infringements but only to infringement as a completed act for which compensation is provided. The Court of Claims cannot provide a remedy against threatened infringement or grant injunctions against continuing infringements. It has not the power, nor has it jurisdiction of the manufacturer. If the Act does not say specifically that the remedy stated is the *sole* remedy of the patentee, and does not specifically abrogate the right of a patentee to sue for an injunction in the District Courts, it should not be so interpreted.

Let us consider a case of threatened infringement only, without the usual complication of past infringement. The District Courts have often exercised their authority to prevent merely threatened infringement by injunction. Is the Act of 1918 intended to meet such a situation? Where we see a rival manufacturer equipping his shop to produce our patented apparatus, and have other evidence that he intends to offer such apparatus to the public, we have

the right to sue in the District Court for an injunction to prevent such a wrong.

If there had been merely threatened infringement by sales to the Navy Department, without the complication of previous completed sales, would the Act of 1918 have deprived plaintiff of his right to an injunction by the District Court? Or does the Act mean that the plaintiff might have gone immediately to the Court of Claims with a suit against the United States to compensate him for the threatened destruction of his monopoly?

It is apparent that the language of the Act cannot be fitted to this situation. The Act does not provide any remedy for this state of affairs. If the patentee has not his old remedy by injunction, then he has nothing at all; neither a remedy nor, practically, a right.

5. It is the holding of Judge Campbell in the District Court that the Act of July 1, 1918 puts an end to suits in the District Court in connection with apparatus made for the United States, and that inasmuch as the sovereign could not be sued without his consent the United States had a right to specify that the sole remedy of the patentee should be by suit against the United States in the Court of Claims. In reaching this conclusion Judge Campbell seemed to be influenced more by what is stated to have been the purpose of the Act in the proceedings leading up to its enactment than by the language of the Act itself. He refers especially to the purpose of the Secretary of the Navy in recommending the passage of the Act.

In interpreting a statute the meaning is first to be gathered from the statute itself and the heading employed for the Act; and the proceedings leading up to the Act are only properly given any weight where there is ambiguity. It sometimes happens that a Department of the Govern-

ment or the faction desiring the Act seeks to accomplish a purpose which cannot be accomplished because it would be unconstitutional.

In the present case the language of the Act does not when fairly interpreted, and could not constitutionally, accomplish the purpose of its proponents. Under such circumstances, the language of the Act itself and the constitutional limitations must determine its interpretation.

6. We have shown above that prior to the Act of 1910 patentees had no remedy against infringement directly by the Government, though they had always the right of injunction and damages against contractors for the Government. The Act of June 25, 1910 provided a partial remedy against infringement by the Government by permitting action against the Government in the Court of Claims for damages arising out of past infringement; no injunction, however, being possible to stop future infringement by the Government. And this Act of 1910 did not take away the rights which inventors had always had to secure injunctions and damages by action in the District Court against infringers other than the Government.

Since the Act of 1918 is an amendment of and follows closely the wording of a prior Act of 1910, and since this court has interpreted the 1910 Act in several carefully considered opinions, it might be useful at this point to consider the meaning of the 1910 Act as interpreted in this court, and by that means arrive at a fair meaning of the 1918 Act by comparing the similarities and contrasting the differences between the two Acts.

This Court in the case of *William Cramp & Sons v. International Curtis Company*, above, carefully analyzed the Act of June 25, 1910 and specifically held that this Act did

not deprive a patentee of any remedies and on the other hand gave him a remedy which he did not have before its passage, namely, the right to obtain damages where his patent had been inadvertently infringed by the United States. The Court held specifically that this Act did not give "the United States by act of eminent domain a license to use the inventions of all existing patents."

The *Cramp* case was one where William Cramp & Sons were building torpedo boats for the United States Navy and were sued by International Curtis Marine Turbine Company for infringement. The defense was in brief, that by virtue of the Act of 1910

"the United States by an act of eminent domain acquired a license to use the invention of all existing patents and that, therefore, the transactions in question were * * * licensed transactions."

The Court held:

"The single question is, did the provisions of the Act of 1910 operate without more to confer upon the United States a license to use the patents of the Turbine Companies; and if so, was the Cramp Company as a contractor authorized to avail itself of the license * * *?"

The answer of the Court was in the negative on both points; namely, that the United States had no license and that the contractor was not authorized to avail itself of any such privilege. If the 1910 Act did not give the United States a license, there is nothing in the 1918 Act which does so. And if the United States does not have a license, how can it be argued that it has the power to extend a license to others?

In reaching this conclusion in the *Cramp* case the Court's opinion calls attention to the following features:

First, that the provision in the Act, that the United States may avail itself of any defenses which might be pleaded by a defendant in an action for infringement, expressly negatives the idea that the United States had an implied license in the patent and shows that it was intended to cover unintentional infringement.

Second, that the title of the Act showed that the purpose was to add to the patentee's remedies rather than to decrease them.

Third, that it could not be assumed either before or after the Act that the official authority of the United States would consciously and intentionally be exerted so as to violate the Constitution by wrongfully appropriating private property and that, therefore, the Act covered unintentional infringement only.

Fourth, that an implied duty rests upon a Government contractor to perform his duties to the United States in accordance with the law of the land and without disregarding the rights and appropriating the property of others.

Fifth, that a Government contractor is not vested with the power to take the property of others upon the assumption that as a result of his contract he enjoys the right to exercise public and governmental powers.

Every one of these propositions is equally applicable to the 1918 Act since there is no wording to affect the soundness of the Court's conclusions or to modify them.

The first principle enunciated by this Court in the *Cramp* case, that, since the United States might avail itself of any defenses which might be pleaded by a defendant in an action for infringement, the United States had no im-

plied license in the patent, applies with equal force to the Act of 1918. The Act of 1918 leaves the United States free to avail itself of any defenses which might be pleaded by a defendant in an action for infringement. Therefore, by the same reasoning which the Court presented in the *Cramp* case, this 1918 Act does not give the United States an implied license under the patent.

The second point of the *Cramp* opinion, that the title of the Act (of 1910) indicated an intention to add to the patentee's remedies, is equally true of the Act of 1918. The later Act is entitled an amendment of the earlier. It does not take away any remedy given to patentees under the earlier Act. It amends merely by extending the same remedy to patentees in a new class of cases. To have the effect asked for by defendant, it should have been entitled "An Act to Amend Sec. 24 of the Judicial Code and Sec. 4921 of the Revised Statutes, giving District Courts Jurisdiction and Power to Grant Injunctions in Cases Arising under the Patent Laws."

The third point in the *Cramp* case, the assumption that the United States would not consciously and intentionally wrongfully appropriate private property, is just as true, whether we consider appropriation through an intermediary contractor or directly in the workshops of the Navy.

The duty of a contractor to avoid patent piracy in the executions of contracts on behalf of the Government, the fourth point in the *Cramp* opinion, is just as clear now as it was then. There is nothing in the Act of 1918 which authorizes a contractor to continue such a course after the patent infringement is called to his attention.

Equally, the fifth point in the *Cramp* opinion is as true now as then. There is nothing in the 1918 Act which gives a manufacturer power to take the property of others and

sell it to the Government. If he takes it inadvertently, the Act provides a remedy by which the patentee can recover his "entire compensation"; meaning his compensation for the contractor's infringement plus his compensation for the Government's infringement, which he formerly had to recover in separate suits against the two infringers—the manufacturer and the user. But there is no necessary inference that, after patent infringement is called to his attention, the manufacturer is clothed with power to take the invention, on the assumption that he enjoys the right to exercise public and governmental powers.

There would seem to be only one theory on which this Act can be given the construction urged by the defendant; and that is that the United States is vested with an implied license in all patents and has the power thereunder to transfer such license to independent manufacturers. If the Act is not interpreted in this manner, it amounts, where acted under, to a seizure of private property without the due process of law provided for in the Constitution. On the other hand, there is nothing in the Act to expressly give the United States an implied license in all patents nor in view of the decision in the *Cramp* case can the Act be so interpreted, for there is no greater power given the Government in the new Act than that which was given by the Act of 1910.

If the United States itself under the Act of 1910 is not possessed of an implied license under patents, its powers are not increased by the Act of 1918 and it is not thereby possessed of an implied license. And if the United States itself is not vested with such powers, how can it be urged that Government contractors are so vested?

We conclude that the title of the Act of 1918 and the

wording of the Act mean only that in cases of past infringement a patentee does not have to bring separate suits against the manufacturer and the United States, but may recover his entire compensation for both infringements in one suit (against the United States in the Court of Claims); and do not mean that an unlimited license is conferred upon the United States and manufacturers with whom it contracts.

II. If the law deprives patentees of their right of action against independent manufacturers, it is invalid, being in violation of the Constitution.

1. The law of 1918 is unconstitutional if it means that under the circumstances of the present case the patentee is deprived of his right of action against an independent manufacturer (as distinguished from an agent) for damages and profits and that the courts are deprived of the power to grant an injunction provided by Section 1021 for carrying out the intent of the Constitution.

The gravamen of the matter is the depriving the patentee of his remedy against the private manufacturer. If the statute merely gives the patentee an additional remedy, there is no wrong done. If it deprives him of his remedy against a competitor there is violation of Article I, Section 8 of the Constitution providing for the grant of monopolies to inventors, and also of the Fifth Amendment to the Constitution providing that property shall not be taken without due process of law. It is the transferring of one man's estate to another, which is expressly prohibited in the case of *Dartmouth College v. Woodward*, 4 Wheat., 518.

Defendant's argument must be that the 1918 law relieves him from liability by taking away entirely all com-

edies which a patentee had against an infringing manufacturer. This is to deprive the patentee of his constitutional right to a monopoly (no matter if he still has the right to collect damages or compensation). A law might be constitutional which gave the Government the right to take away a specified patent by due process of law. But it would not be constitutional to provide that the Government may take indiscriminately any patent property without due process of law, to take it first and then let the patentee help himself; and it would not be constitutional to provide that the Government may confer immunity on a private competitor and in this way destroy a patentee's monopoly.

And, whatever may be said as to the power of Congress to enact such a law, it is not to be presumed that the law means this unless it is so clear to this effect as to be incapable of any other fair interpretation. This is not the case. The Act of 1918 can be fairly interpreted to limit a patentee to an action in the Court of Claims against the United States to recover his "reasonable and entire compensation for such use (by the United States) and manufacture (by the contractor)," while leaving him his previous remedy by suit in the District Court for an injunction against the contractor, which would mean only compelling the contractor to manufacture a non-infringing apparatus in the future and need not interfere with the execution of existing Government contracts.

In the *Cramp* case above the constitutional right in patent property was referred to and it was held that prior to the law of 1910, the authorities had indisputably established the principle

"that rights secured under the grant of Letters Patent by the United States were property and pro-

ted by the guarantees of the Constitution and not subject, therefore, to be appropriated even for public use without adequate compensation."

We need hardly argue that to repay this plaintiff for the manufacture of compasses by defendant and the use of them by the Government, not including profits made on their sale by the defendant, would be entirely inadequate. And even if the 1918 law gives plaintiff the right to recover by an action against the United States the profits which the defendant made in selling its compasses to the United States, plaintiff would still be far from adequately compensated. Unless this defendant can be enjoined from infringement, the loss of plaintiff is incalculable.

Plaintiff has for a number of years had a going business in the manufacture of gyroscopic compasses and appurtenances; and plaintiff's very existence is dependent thereon. Years of time, and corresponding amounts of money have been spent in inventing, experimenting, discarding and selecting a most satisfactory compass, and large capital has been expended in organization and equipment (p. 9).

The United States Navy has been and probably will always be the principal customer for such apparatus. This going business of plaintiff has been seriously damaged for the past few years by the pirating of plaintiff's design and the supplying of such compasses to the United States Navy. The destruction of plaintiff's business is not merely a remote possibility but is a very probable happening if plaintiff is relegated to a separate suit against the United States every time that the defendant sells a lot of infringing compasses to the Navy. Courts of Equity have frequently held that such a remedy is inadequate.

The Statute authorizes an injunction by the District Court to prevent this very situation in ordinary cases.

This Court in the *Cramp* case, discussing the Act of 1910, held that Governmental power cannot be consciously and intentionally exerted to wrongfully appropriate patents. The same premise is sound in considering the Act of 1918. Where patents have been appropriated by a Government contractor, the Act of 1918 gives the patentee a right to sue in the Court of Claims for compensation for this presumably inadvertent use. But the Act does not say that after notice of the infringement the Government contractor has the right to go ahead and continue the infringement at will without regard to the patentee's rights and that the patentee shall be deprived of all means of compelling the contractor to cease trespassing on the property rights given the patentee by the Constitution and by the Revised Statutes. It could not have this meaning without being unconstitutional.

An interpretation of the Act by which the patentee could obtain damages either in the Court of Claims or the District Courts (or perhaps solely in the Court of Claims) against the United States for past inadvertent infringement, but leaving the patentee free to obtain in the District Courts an injunction against the contractor, preventing continuing infringement, is perfectly consistent with the language of the Act. This right has been denied to plaintiff in the present case by the District Court's dismissal.

Certainly a statute should not be construed to deprive one of his property rights, as provided by prior statutes, unless the new statute specifically abrogates such prior rights. The Act of 1918 provides for compensation for an inadvertent past tort. For this purpose it does not need

to deprive the patentee of his existing right to a monopoly and an injunction. If it did so, it would be subtracting from, not adding to, the protection which the patentee previously had. It would be adding to the protection of infringers in their piracy, and not to the protection of patent owners.

2. The Act of 1918 is unconstitutional if it deprives a patentee of a right to trial by jury. Section 4919, R. S., provides that:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, etc."

This gives a patentee the right to a trial by jury.

But if the Statute itself did not give the right to a trial by jury, the Seventh Amendment to the Constitution would be applicable to such suits at law. It provides:

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved and no fact tried by a jury shall be otherwise re-examined in any court of the United States, than according to the rules of the common law."

All suits are suits "at common law," within the constitutional provision, that are not suits in equity or admiralty, and must be tried by a jury if the plaintiff insists upon it.

The Sarah, 8 Wheat., 391;

Parsons v. Bedford, 3 Pet., 433;

Root v. Railway Co., 105 U. S., 189-206;

Lincoln v. Power, 151 U. S., 436-438;

Knickerbocker Ins. Co. v. Comstock, 16 Wall, 258-269;

Fed. Stat. Ann., Vol. II, p. 494.

Patent suits, at law, fall within the constitutional provision.

Root v. Railway Co., 105 U. S., 189.

To give the Court of Claims exclusive jurisdiction of suits based upon the unauthorized manufacture or use by or for the United States of a patented invention, would be to take away the patentee's right to a trial by jury in a District Court in a proceeding against one who manufactured and sold to the Government a patented article, the Court of Claims having no power to conduct a jury trial or to impanel a jury.

No court, unless unavoidable, should give a construction to a Statute that would render it unconstitutional.

Parsons v. Bedford, 3 Pet., 433-458, and cases following it.

Consequently, the Act of 1918 ought to be upheld, if possible, but limited so as not to interfere with a patentee's right to a trial by jury in a District Court against one who, without authority, manufactures a patented article and sells it to the Government.

3. If the Act of 1918 deprives patentees of the right to an injunction, it at the same time deprives them of profits.

Section 4921, R. S., gives Courts of Equity jurisdiction in patent cases to grant injunctions and to award profits.

If the Act of 1918 gives the Court of Claims exclusive jurisdiction and takes away the patentee's right of action against those who manufacture patented articles for the

Government, theretofore existing, it not only bars the patentee's right to an injunction, but his right to a recovery of profits, as such. It takes away not only his remedy, but his right (to profits).

A distinction is to be drawn between jurisdiction to grant an injunction and the exercise of that right. It is the *power* of a Court of Equity to grant an injunction against one who furnishes a patented article to the Government that gives the Court jurisdiction. That the Court refuses to grant an injunction, in such a case, does not oust it of jurisdiction.

Although an injunction may be refused, the right to grant one enables the Court to award profits, on the principle that a Court of Equity, once lawfully acquiring jurisdiction, may retain a case and administer all appropriate relief therein.

It is clear from the above statement of principles, that the Act of 1918 does not and cannot operate to take away the patentee's pre-existing remedies both at law and in equity in patent cases; and especially is this true since the Act of 1918 does not undertake to repeal pre-existing statutes conferring jurisdiction on the District Courts; and since repeals by implication are not favored.

Osborn v. Nicholson, 13 Wall., 654-662, and other cases.

III. The Act is not a proper exercise of the right of eminent domain.

It is not denied that the Government in its power of eminent domain has the right to seize patents the same as any other property in *special cases* for the public's good nor that it may have the power to authorize a contractor to do so by specific legislation identifying the property,

the same as a Railroad Company is given the power by a specific bill to condemn land for its right of way. This, however, must be done through legislation defining the occasions, methods, conditions, and agencies by means of which specific patents are to be taken. None of these tests is satisfied by this Act. No Government agency or officer is specified by whose authority the patent rights are to be seized, nor is the occasion warranting the seizure defined. It cannot be done by blanket legislation purporting to give the Government the power to appropriate a license under any patent whatsoever, without even saying "by your leave" to the patentee. Furthermore, it should be remembered that any statute under the law of eminent domain must be strictly construed and strictly followed because it deprives citizens of their rights without their consent.

(See *Cooley on Principles of Constitutional Law*, Student Series, p. 365; *Nichols v. Bridgeport*, 23 Conn., 189; *Burt v. Brigham*, 117 Mass., 307.)

Lewis on Eminent Domain, 2nd Edition, warrants the following statement of principles applicable to the present case. The power of eminent domain can be exercised only by Legislative Enactment (Paragraph 367). And the legislation must be specific as to the property to be taken. It cannot, for example, give to a contractor the right to take patents in general. The exercise of the power being against common right, it cannot be implied or inferred from vague or doubtful language, but must be given in express terms (Paragraph 371). Strict compliance with the Statute is required (Paragraph 387), and strict construction of the Statute is also required, all doubts being resolved against the claim of power (Paragraph 388).

The Act of 1918 cannot be construed as an exercise of the power of eminent domain, because it does not embody the principles stated.

IV. If the Act is a proper exercise of the right of eminent domain it applies only where there is an intention by the Government to itself assume full liability.

The Act of 1918, if it be valid as a proper exercise of the right of eminent domain, must be limited in its application to cases where there is a plainly indicated intention by the Government to assume liability, or a ratification of a tortious act by one of its officers. In *Crozier v. Krupp* referred to above, the 1910 Act is treated as an exercise of the right of eminent domain. And this Court may view the Act of 1918 as a similar exercise of this right. But it is not necessary to hold that the Act of 1918 creates a liability on the part of the Government in every case where it purchases or contracts for the purchase of an apparatus infringing the patent of a third party. If the Act provides power in the United States to seize patent property, nevertheless, it does not assume that there is such a seizure in every case where the United States contracts for an infringing apparatus. As was said by this Court in the Cramp opinion.

"The Act of 1910 embraces the exceptional case where because of some essential Governmental emergency or public necessity the authority of the United States is exerted to take patent rights under eminent domain in reliance upon the provision to recover the adequate compensation which the Act of 1910 affords."

According to defendant this act was passed to assist the Government in securing apparatus from manufacturers. But if the act be given the interpretation contended for by defendant the inescapable result would be the saddling upon the United States, whether it desires it or

not, of the full and sole responsibility for any and all patent infringements that may occur in the filling of Government contracts. The only reasonable construction of the law, therefore, is that it requires a definite act of appropriation on the part of the Government to render the United States liable.

United States v. North American Co., 253 U. S., 330.

The mere purchase of this apparatus and its use by the Government is not enough to show an appropriation of the invention.

Gibbons v. United States, 8 Wallace, 269, and
Harley v. United States, 198 U. S., 229.

The tortious act of an officer in taking property does not necessarily create a liability on the part of the Government to pay for the same. Such an act of the officer in taking property must be ratified by one in whom authority to take is vested by law (*United States v. North American Co.*, cited above). The *North American Company* case makes this proposition very clear and states that the Government is not liable ordinarily for torts of its agents, citing *Hoe v. United States*, 218 U. S., 322, but mentions in passing the *Cramp* case as an exception to this rule.

From the authorities it appears that in order to create liability on the part of the United States for the acts of a contractor, a deliberate appropriation of the invention or a deliberate ratification of a contractor's appropriation of the invention must be made officially by the Government.

It should positively appear that the Government has intentionally and deliberately appropriated the invention.

This might be by assumption of full liability on the part of the United States in the contract. Where there is no such assumption, then presumably the Government had no intention of appropriating patent rights. And where there is a clause in the contract by which the contractor assumed full responsibility for infringement of patents, this is positive evidence of lack of any such intention on the part of the Government.

In the *Foundation Co.* case above, the Government appeared by counsel and opposed the motion for a preliminary injunction, showing intentional appropriation of the patent, or at least, ratification of the tort.

The *Floyd Smith* case above is one in which the Government assumed full liability and it is apparent that the Government knew the specific construction of the infringing apparatus, a parachute for aviators. The case of *Wood v. Atlantic Gulf and Pacific Co.*, decided March 18, 1924, by the District Court of Alabama, presented the question of use of an apparatus, the details of which were not known to the Government, by a contractor on Government work. The Court refused to extend the statute to a case where such an infringing use was not with the knowledge and consent of the Government.

In the present case the United States appears, refusing to ratify defendant's infringement and disclaiming responsibility under the Act of 1918.

Plaintiff's view of the Act of 1918 is that it gives to patentees a remedy by direct action against the United States in cases in which they did not have such right before; and that the cases in which such a right of action is granted are those in which the Government has voluntarily made itself liable by ordering the manufacture for it by a private contractor of an apparatus specifically

designed or described by the officers of the Government and known by them to involve the question of patent infringement; but that the law does not give a right of action against the United States where it orders an apparatus in general terms which will perform certain functions and this order is filled by a manufacturer with an apparatus of his own design and on representations express or implied that the contractor is not pirating a patented apparatus.

If the United States Navy had said to defendant "copy for us the Sperry gyroscope" in whole or in such and such parts, then it is fair to say that the Navy assumed responsibility for the infringement and that the 1918 law permitted the patentee to recover by action against the Navy officers.

But if the defendant had represented to the Navy officers that defendant had a design of compass which it was offering for sale and which it was equipped to manufacture, and which infringed nobody's patent rights, and the Navy officers had ordered compasses on that understanding, it seems absurd to say that they made the United States responsible not only for the use of the compass after its purchase, but for the profits made by the contractor and for the damage done to the plaintiff by the contractor's infringement. Since the Act provides for recovery of the plaintiff's *entire compensation*, it is reasonable to limit its application to cases in which the United States stood willing to assume the *entire responsibility*.

It must also be remembered that the Act of 1918 does not refer to *selling* infringing articles, but only to the use of them or their manufacture. The three distinct rights secured to a patentee (Sec. 4884 R. S.) are the right to make, use and sell the invention. The 1918 law refers

only to the making and using of it. If we construe the term "manufactured by or for the United States" to mean manufactured by the United States in its own workshops or manufactured by a private contractor according to designs furnished by the United States and under the control of the United States, we give to the quoted words their natural meaning. The law is not to be construed to cover sales to the Government of apparatus for whose design and production a private party alone is responsible. This would be to make the Government responsible for infringement in everything which it buys and for the seller's profits thereon and would permit the bringing of actions in the Court of Claims on thousands of patents. If the law had contemplated such a thing it would have said so more plainly. It would have said that "whenever an invention covered by a patent shall be used or manufactured by or for *or shall be sold* to the United States" and so forth.

It should affirmatively appear, which it does not, that the Navy Department ordered defendant's compasses with full knowledge of all the circumstances, including infringement of plaintiff's patents, if the Government is to be held responsible.

If, as we believe, the Act of 1918 is limited to cases in which the United States was aware of the claim of infringement and knowingly assumed responsibility for any infringement, this decree should be reversed. The presumption is that there was no such knowledge by the United States in the present case. On a motion to dismiss, such questions of fact must be resolved against the moving party.

In the *Wood* case referred to above the point was made that

"When the Government knows and obliges the contractor to use the patented article, of course, the Government should be willing to pay; but it will be going entirely too far to say that because any independent contractor for his own convenience saw fit to use the patented article in doing Government work, the Government should pay for such use by him, when they did not know he was using it."

In this *Wood* case the opinion refers to a letter from the Secretary of the Navy to the Senate Committee, asking for the passage of this Act of 1918. The Secretary's letter refers to the *Cramp* case above cited, holding that a contractor for the manufacture of a patented article for the Government is not exempt from litigation by the patentee; and the Secretary asked for a law which would prevent such litigation. In the *Cramp* case (246 U. S., 35), the Navy Department submitted specifications as to structure, engines, etc., which "were comprehensively detailed and the contracts were based either upon the acceptance of such specifications or upon such changes suggested by the contractor as met the approval of the Navy Department."

The *Cramp* Company was not at all an independent manufacturer but was a mere contractor to do specific work for the Navy. It was this kind of a contractor (if any) that the law was designed to save from litigation; not a manufacturer submitting his own design and taking his own chances as to infringement.

In the statement to the House by Mr. Padgett quoted in the *Wood* opinion, it is apparent that the same sort of contractor was the person aimed at by the law, a contractor who was merely doing in detail the bidding of a Government officer. He was referred to as "the private

contractor, who is doing the Government work." And Mr. Padgett's view was that "the only change" made in the law was to place this private contractor in the same class with the Government officer under whose direction he was working.

Defendants have here argued that the Wood case is directed to the use of an infringing apparatus and does not apply to the manufacture thereof. But the Act refers equally to both manufacture and use,—"*used or manufactured by or for the United States.*"

The point is that the United States must knowingly and voluntarily assume liability; otherwise the Act does not apply. The Act can be applicable only to cases where the Government required the manufacture of the patented articles. In that case the Government may be sued for the patentee's "entire compensation" including the usual damages, profits or benefits to the Government, savings and profits of the manufacturer, and compensation for the destruction (complete or partial) of the patentee's going business by his inability to engage continuing infringement by a competitor.

The opinion of the District Court, page 88, is based partly on the premise that an injunction secured by a patentee against an independent contractor would be as detrimental to the interest of the Government as an injunction against the Government itself. This is certainly not correct in cases like that at bar, where the patentees are fully prepared to build the apparatus in question. There is not involved in the present case any question of interfering with the Government's obtaining the apparatus in question. The only question involved is of the right of a competing manufacturer to infringe the plaintiff's patents merely on the ground that he is manufac-

turing the apparatus for the United States. Certainly in such a case there is not the "essential Governmental exigency or public necessity" referred to in the *Cramp* case.

V. Doubt of jurisdiction in the Court of Claims.

The jurisdiction in the Court of Claims in questions of this sort has never been decided by that Court, nor by this Court.

A doubt arises as to the Government's responsibility when the Government does not know or did not know in giving defendant orders for gyroscopic compasses that defendant was going to secure the desired operations or functions by pirating plaintiff's inventions.

It is of vital importance that the question be decided correctly. Unless plaintiff certainly has a good cause of action against the Government, plaintiff's monopoly will be practically worthless to him if the present case be dismissed.

Suppose the present case be dismissed and an action brought against the United States in the Court of Claims be defended on the ground that the Navy Department had not ordered the defendant here to build the specific infringing apparatus and that, therefore, the law of 1918 does not apply. It is possible that the Court of Claims would sustain this defense. The effect then of the construction of the Act asked for by defendant would be not to provide additional protection for patentees as the statute contemplated, but to take away the protection which they previously had.

It is a fair conclusion and a conclusion in the interest of justice that the Act of 1918 does not limit plaintiff to the sole remedy of an action against the United States; and if the law does limit plaintiff to this sole remedy, it

must be only in cases where the Government was consciously and directly responsible for the infringement.

It was not essential to infringe plaintiff's patent. There are other gyroscopic compasses in use, known to both plaintiff and defendant. The record, page 28, shows that defendant was at one time agent in the United States for another gyroscopic compass, made by Anschutz & Co. in Germany. Defendant's brief below says that gyroscopic compasses were in commercial use before the plaintiff company was organized. The presumption is that, if the Government had been as well informed as defendant was, it would have purchased some other compass rather than infringe plaintiff's patents.

The fact is (according to our information) that defendant does not contend that the Government authorized infringement, nor does defendant admit infringement, but maintains in its answer and in its reply to interrogatories that the compasses manufactured by them are not of the Sperry type, and were manufactured under the Anschutz patents and not under the Sperry patents. This they doubtless represented to the Navy. The Navy, therefore, in buying defendant's compasses, did so without any knowledge that they infringed Sperry's patents.

On such a showing by the Navy in any action brought by plaintiff in the Court of Claims, it is highly improbable that the Court would require the United States to compensate plaintiff for the profits made by the infringing manufacturer and for the partial or complete destruction of its business for lack of injunctive relief.

There is now pending in the Court of Claims a case of *Brodie v. United States*, No. 34,726, in which the United States denies responsibility for infringement of patent, in a case very similar to the present. Apparently the

construction put on the law is that the mere purchase and use of an apparatus by the Government does not necessarily create a liability against the Government under the Act of 1918, because it does not in itself signify appropriation of the invention; and that the "use" contemplated by the Act of 1918 is such as under the Constitution constitutes an authorized appropriation of property. The position of the United States is that if the Government officers do not accept liability, the patentee is still free to proceed against the contractor as in the case of *Curtis v. Cramp, supra*.

If the United States is right in the *Brodie* case, then the dismissal of the present complaint for lack of jurisdiction in the District Court deprives the patentee of any remedy for the tort committed. Obviously a statute which purports to provide a remedy by which an injured person could recover his entire compensation is not to be construed so as to deprive him entirely of any compensation.

VI. The Act of 1918 cannot apply to patents granted before the passage of the Act.

The patents sued on are the following:

Number	Date	Name
1,186,856	June 13, 1916	E. A. Sperry
1,242,065	Oct. 2, 1917	E. A. Sperry
1,255,480	Feb. 5, 1918	E. A. Sperry
1,279,471	Sept. 17, 1919	E. A. Sperry
1,296,439	Mar. 4, 1919	E. A. Sperry
1,300,890	Apr. 15, 1919	E. A. Sperry
1,330,501	Feb. 10, 1920	Harry L. Tanner
1,378,296	May 17, 1921	Harry L. Tanner
1,403,062	Jan. 10, 1922	E. A. Sperry

The first three of these were granted prior to the Act of July 1, 1918. They are contracts in which the inventor

has carried out his part of the bargain disclosing the invention fully so that the public will be put into possession of complete knowledge of it. The consideration from the Government in the matter was the grant of a monopoly for 17 years. Is it to be presumed that Congress would pass an act subsequently, depriving the inventor of the monopoly or limiting the monopoly to something less than was granted in the patent? It is not merely that the Act, under defendant's construction of it, has altered the patentee's remedy. It has taken away certain substantive parts of the grant, primarily the right to a monopoly. Notwithstanding that the patentee may still be able to recover damages, he has been deprived of the vital thing in the grant. The presumptions are against such an interpretation.

Conclusion.

Plaintiff's position briefly stated is that the Act of 1918 provides an additional remedy by a single action in the Court of Claims to recover compensation not only for the Government's use of the invention but also for past infringement by a contractor acting as an agent of the United States; and does not deprive patentees of any previously existing remedy against independent manufacturers for the Government, especially against mere vendors to the United States of apparatus of their own design.

Wherefore, this plaintiff may maintain its action against this defendant. And the District Court has jurisdiction to entertain such a suit and to grant the usual damages, profits and injunction.

Respectfully submitted,

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Dated, February 25, 1926.

FILED
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WM. R. STANS

IN THE
Supreme Court of the United States
OCTOBER TERM, 1925.

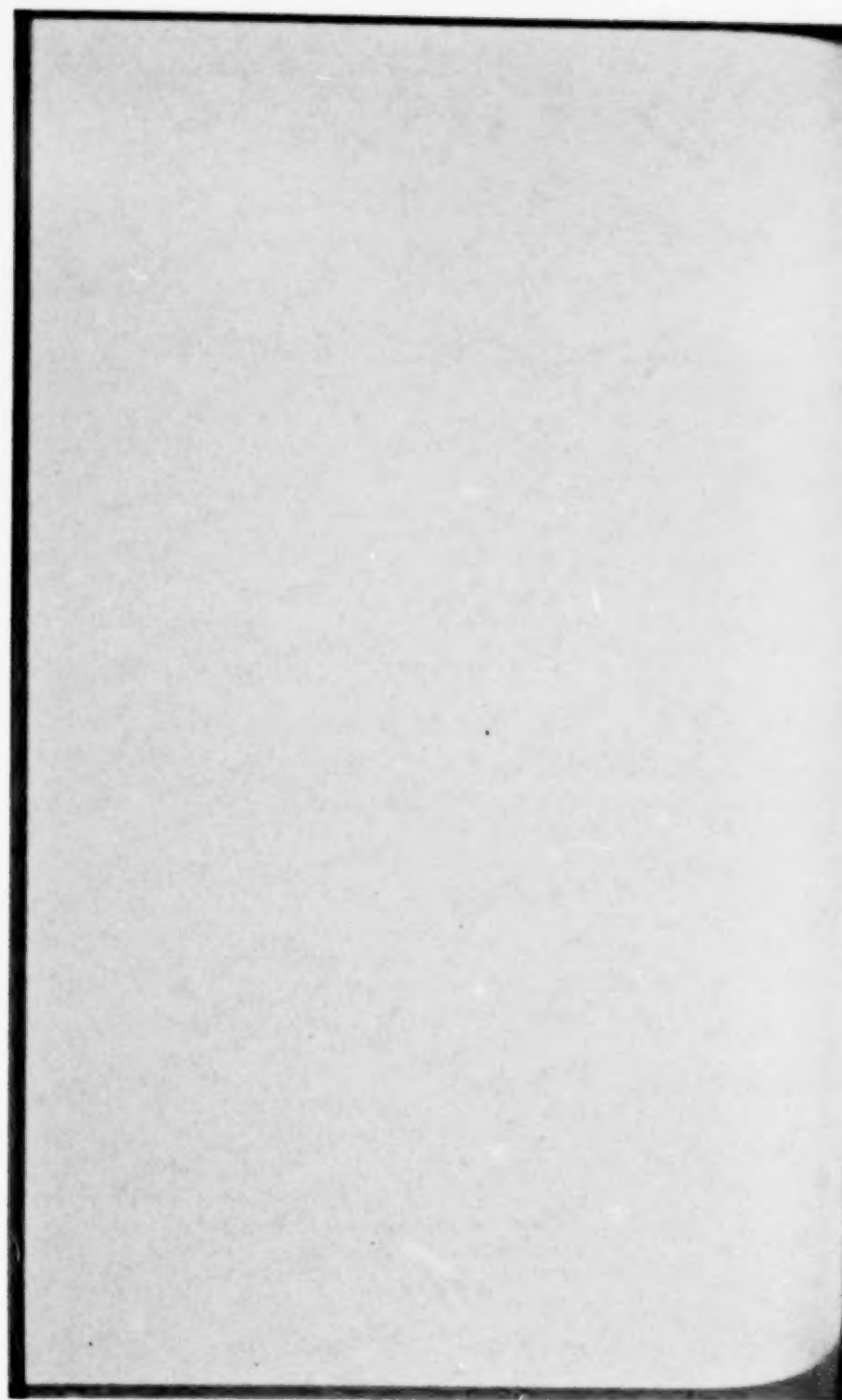
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No. 239.
—

SPERRY GYROSCOPE COMPANY, *Appellant*,
vs.

ARMA ENGINEERING COMPANY.

—
SUPPLEMENTAL BRIEF FOR APPELLANT.
—

MELVILLE CHURCH,
Counsel for Appellant.



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IN THE
Supreme Court of the United States

OCTOBER TERM, 1925

No. 239

SPERRY GYROSCOPE COMPANY,
Appellant,

VS.

ARMA ENGINEERING COMPANY

SUPPLEMENTAL BRIEF FOR APPELLANT

I. This is a patent suit. It comes to this Court on an appeal from a decree of the United States District Court for the Eastern District of New York, dismissing the plaintiff's bill of complaint for lack of jurisdiction.

II. The authority of this Court to entertain this appeal is found in Section 238 of the Judicial Code, as it existed prior to its amendment by the Act of February 13, 1925.

The appeal was docketed in this Court January 2, 1925, before the passage of the last-mentioned Act.

III. Appellant is a manufacturer of gyroscopic compasses under the protection of nine existing United States Patents owned by it.

IV. Appellee, a corporation of New York, was sued for the infringement of these patents by the *making* by it of gyroscopic compasses embodying the patented inventions and by *selling* the same to the United States Navy Department, under contracts of sale with the latter (R., p. 48).

V. Appellee defended on the ground that it could not be sued for the infringements complained of, and that appellant's sole remedy for such infringements was by suit against the United States in the Court of Claims, under the provisions of the Act of June 24, 1910 (36 Stat. L. 851) as amended by the Act of July 1, 1918 (40 Stat. L. 705).

The Court below sustained this contention and dismissed the bill (p. 49).

VI. The Act of June 24, 1910, is entitled:

“An Act to provide additional protection for owners of patents of the United States, and for other purposes.”

It provides, among other things:

“That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: * * *

and

“That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise * * *.”

VII. The Act of July 1, 1918, is amendatory of the Act of 1910, and provides:

“The Act entitled ‘an Act to provide additional protection for the owners of patents of the United States, and for other purposes,’ approved June twenty-fifth, nineteen hundred and ten, shall be, and the same is hereby, amended to read as follows:

‘That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States, without license of the owner thereof or lawful right to use or manufacture the same, such owner’s remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture * * *.’”

VIII. It is contended by appellee, and held by the Court below, that the effect of this Act of 1918 was to take away from a patent owner the right theretofore firmly secured to him of maintaining an action at law or a suit in equity, or both, against any one who, without license or authority, made specimens of the patented invention and sold them to the United States, and to substitute therefor, as his sole and exclusive

remedy for such unlawful making and selling, the right to sue the United States in the Court of Claims for compensation, only.

IX. Appellant, on the other hand, contends that such far-reaching interpretation of the Acts of 1910 and 1918, is not only not reasonable, but consistently with their maintenance, not possible; not reasonable, because the Acts, on their face, do not purport to take away any pre-existing rights of a patent owner, but, on the contrary, undertake to provide him "additional protection", and may be construed to be in complete harmony with the pre-existing Acts; and not possible, because such far-reaching interpretation would render said Acts unconstitutional and void.

X. Under the Constitution and Laws of the United States, patents are property. (Paper Bag Case, 210 U. S. 405-424.) They confer upon the owners thereof the exclusive right to make, to use and to sell the patented invention, for seventeen years. (Sec. 4884, R. S. U. S.)

Prior to 1910, any person, firm, or corporation who, without authority from the owner thereof, made, used or sold a patented invention, committed a tort, and was guilty of infringement.

The United States was no exception to this rule; but, while any other infringer could be sued and brought to account, the United States could not be, because it had not formally consented to be sued for its torts.

James v. Campbell, 104 U. S. 356.
Schillinger vs. U. S., 155 U. S. 163.

XI. If Congress had prescribed no remedy for the tortious invasion of his right, the common law action of trespass on the case would have been available to a patent owner. It was the remedy, at common law, in England, at the time our patent system was adopted.

Curtis on Patents, 4th Ed. 470, Sec. 344.
Robinson on Patents, Vol. III, p. 111.

But Congress, in its first legislation respecting patents, specifically declared that this form of action should be available to a patent owner.

Accordingly, in the Patent Act of 1790 (1 Stat. L. 109), it was provided, by Section 4, that upon the violation of the patent owner's exclusive right

“Every person so offending shall forfeit and pay to the said patentee or patentees, his, her or their executors, administrators or assigns, such damages *as shall be assessed by a jury*, and, further, shall forfeit to the person aggrieved the thing or things so devised, made, constructed, used, employed or vended contrary to the true intent of this Act, which may be recovered in *an action on the case* founded on this Act.”

XII. This right of the patent owner to a vindication of the exclusive property rights conferred upon him, by a suit at common law in the nature of an action of trespass on the case, carrying with it, necessarily, a trial by jury, has been perpetuated and preserved throughout all subsequent patent acts and now finds expression in Section 4919 R. S. U. S., which reads as follows:

“Sec. 4919. Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the Court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.”

XIII. It requires no extended argument to demonstrate that suits for damages in the form of actions of trespass on the case thus authorized, in terms, by the Statutes of the United States, are suits at common law, and that the right to have such suits tried by a jury cannot be taken away even by Congress itself, because of the inhibitions of the Seventh Amendment to the Constitution, which provides:

“In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.”

The Sarah, 8 Wheat. 391.

Parsons v. Bedford, 3 Peters, 433.

Root v. Railway Co., 105 U. S. 189-206.

Lincoln v. Power, 151 U. S. 436-438.

Knickerbocker Ins. Co. v. Comstock, 16 Wall. 258-269.

Fed. Stat. Ann., Vol. II, p. 494.

XIV. Patent suits, at law, fall within the Constitutional provision.

Root v. Railway Co., 105 U. S. 189, 206, 213.

XV. The Acts of 1910 and 1918 do not, in terms, repeal any prior Acts, but if it is contended that they repeal, by implication, the general Patent Acts giving to a patent owner the right to his action of trespass on the case, with a trial by jury, against one who unlawfully makes specimens of the patented invention and sells them to the United States, the answer is, that what may not be done directly may not be done indirectly, and that a direct repeal of such prior Acts giving a right to trial by jury would not be possible, because unconstitutional.

We go so far as to assert that, if Congress had, in either of the Acts of 1910 or 1918, stated, in terms, that "the right to trial by jury heretofore existing under Section 4919 against one who, without license or lawful right, makes specimens of the patented invention and sells them to the Government, is hereby abrogated and taken away, and the patent owner's remedy by suit in the Court of Claims against the Government, in such a case, provided by this Act, is substituted therefor, as the patent owner's sole and exclusive remedy," such Act would have been clearly unconstitutional and void as violative of the Seventh Amendment.

XVI. Not only is the common law action of trespass on the case, triable by a jury, prescribed by the general Statutes, as a patent owner's always-available remedy,

but there is also given to him a right to bring a suit in equity for the infringement of his patent, whereby he may obtain an injunction restraining future infringements and a recovery of profits made by the infringer, as well as damages, with a power in the chancellor to treble the actual damages that might be ascertained.

This additional remedy finds expression in Section 4921, R. S. U. S., which it is unnecessary to here quote at length.

The Act of February 16, 1875, which is still on the Statute books, provides, additionally, that in the proceeding in equity, referred to, the Court may impanel a special jury of not less than five and not more than twelve persons and submit to them such questions of fact as it may deem expedient.

XVII. This remedy in equity is of the greatest value. The power of the Court to grant an injunction has, however, been held to be essential to its jurisdiction.

Root v. Railway Co., 105 U. S. 189.

XVIII. In this connection, it should be noted, that the *power* to grant an injunction and the *exercise of that power* are quite different things. It is the former that gives the Court of Equity jurisdiction.

Clark v. Wooster, 119 U. S. 322-324.

U. S. Mitis Co. v. Detroit, etc., 122 Fed. 863-865
(C. C. A. 6.)

Cases may arise in which the Court, in its discretion, may refuse to exercise its power, but, nevertheless, having the power and the right to exercise it, it may

proceed to give other than injunctive relief. For instance, if in time of stress, an infringer shall make the patented thing in quantities and undertake to sell them to the United States, no Court would hesitate to refuse an injunction, though its *power* to grant one would give it jurisdiction and justify it in retaining the bill and ordering the defendant to account for his infringing acts.

XIX. Since the Acts of 1910 and 1918 do not, in terms, nor by implication, take away the power of Courts of Equity to grant injunctions to patent owners, the discretionary power to grant or withhold such injunction, lodged in those Courts, may well be relied upon to protect the United States when occasion requires.

XX. Section 4920, R. S. U. S., provides that, in the common law action of trespass on the case, when invoked by a patent owner, the defendant, by pleading the general issue and upon giving thirty days' notice before trial, may plead any or all of certain enumerated defenses; and also provides that the like defenses may be pleaded in the defendant's answer in equity suits, upon like notice.

XXI. Section 4921 also provides that in any such suit in equity opinion or expert testimony may be received and upon such evidence and any other in the case, the Court may adjudge and decree "the payment by the defendant to the plaintiff of a reasonable sum as profits or damages for the infringement."

XXII. Furthermore, the Statutes not only provide for the institution of either the common law action of

trespass on the case, under Section 4919, and the trial of the suit in equity, under Section 4921, by the District Court of the United States (Judicial Code, Section 24), but for a review of such cases, as a matter of right, by writ of error or appeal, by the United States Circuit Courts of Appeal (Judicial Code, Sections 128-129).

XXIII. Now, all these elaborate provisions of the General Patent Acts, securing to a patent owner (1) the right, under the Constitution, to prosecute a suit at common law, before a jury, for the tortious invasion of his patent; (2) the right to have the verdict of the jury trebled by the Court in such a case; (3) the right to sue in equity for an injunction, for profits, for damages and a trebling of the damages; (4) the right to require the defendant to plead his defenses; and (5) the right to a review, by a superior tribunal, *as matter of right*, of the action of the trial Court, either at law or in equity, by writ of error or appeal, the Court below has, in effect, held to be swept away by the Acts of 1910 and 1918, as against one who has violated the patent owner's exclusive right to manufacture and his exclusive right to sell to the United States, notwithstanding the absence of any words in said last-mentioned Acts repealing or rendering inoperative such prior general Patent Acts and, notwithstanding, also, the fact that such later Acts were passed with the avowed purpose, expressed on their face, of according to patent owners "additional protection!"

XXIV. To compel a patent owner to go to the Court of Claims, where jury trials are not available, where a trebling of damages is not permissible, where injunctive relief cannot be given, where defenses are not re-

quired to be specially pleaded, and from whose judgments there is no appeal to any superior tribunal, as matter of right—is to impose hardships that it cannot be presumed Congress intended to impose.

XXV. If we consider, however, the Acts of 1910 and 1918 as being what they purport to be, namely, Acts that take nothing from the prior protection of a patent owner, but that merely give him additional protection, all of the Acts of Congress on the subject of patents may stand as one harmonious whole, the new right conferred by the later Acts, to-wit, the right to sue the United States for compensation for its misdoings, being merely additive in its nature. Such a construction of the later Acts seems rational and sane, is consistent with the ordinary canons of interpretation of Statutes, and is not violative of any constitutional provision.

XXVI. If it be contended that inasmuch as the present suit is one brought on the equity side of the Court and does not, therefore, involve, directly, the denial of the plaintiff's right to a trial by jury, the answer is that the argument based upon the right to a jury trial is here advanced mainly as a guide to the proper interpretation of the Acts of 1910 and 1918, and to show the necessity of regarding those Acts as providing merely "additional protection" to patent owners and not as Acts taking away from patent owners substantive rights theretofore enjoyed by them under the general Patent Acts.

We might, however, add, in passing, that it is competent for plaintiff to have this very case transferred to the law side of the Court, under General Equity Rule 22 promulgated by this Court for the guidance of

the District Courts sitting in equity, reading as follows

“Rule 22. If at any time it appears that a suit commenced in equity should have been brought as an action on the law side of the Court, it shall be forthwith transferred to the law side and be there proceeded with, with only such alteration in the pleadings as shall be essential.”

Thus, a jury trial is yet available to the appellant.

The decree below should be reversed.

MELVILLE CHURCH,
Counsel for Appellant.

IN THE
Supreme Court of the United States

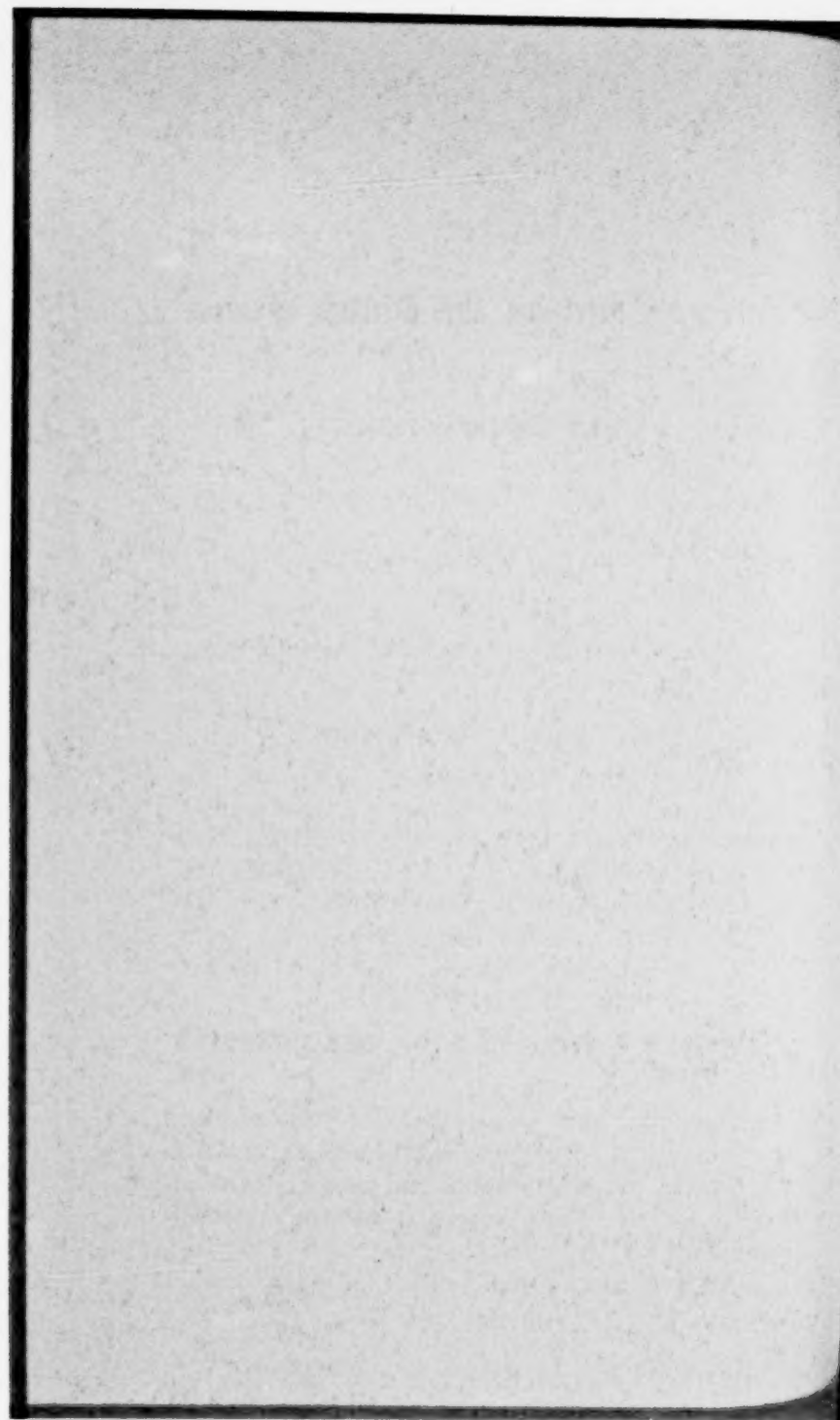
OCTOBER TERM, 1925.

No. 239.

SPERRY GYROSCOPE COMPANY, *Appellant*,
vs.

ARMA ENGINEERING COMPANY.

CONSTITUTIONAL AND STATUTORY PRO-
VISIONS AND EQUITY RULES, RE-
FERRED TO IN ARGUMENT ON BE-
HALF OF APPELLANT.



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**I. ARTICLE I, SECTION 8, OF THE CONSTITU-
TION.**

“The Congress shall have power * * * to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

(Fed. Stat. Anno. Vol. 10, p. 783.)

II. SECTION 4884 R. S. U. S.

“Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery throughout the United States, and the Territories thereof, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.”

(Fed. Stat. Anno. Vol. 7, p. 14.)

III. ACT OF MARCH 3, 1911 (JUDICIAL CODE).

“Sec. 24. The district courts shall have original jurisdiction as follows:

* * * * *

Seventh. Of all suits at law or in equity arising under the patent, the copyright, and the trademark laws.”

(Fed. Stat. Anno. Vol. 4, p. 838.)

“Sec. 48. In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business.

If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought."

(Fed. Stat. Anno. Vol. 5, p. 478.)

IV. SECTION 4919, R. S. U. S.

"Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

(Fed. Stat. Anno. Vol. 7, p. 288.)

V. SECTION 4920, R. S. U. S. (Title LX)

"Sec. 4920. In any action for infringement the defendant may plead the general issue, and, having given notice in writing to the plaintiff or his attorney thirty days before, may prove on trial any one or more of the following special matters:

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the Patent Office was made to contain less than the whole truth relative to his invention

or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; or,

Third. That it has been patented or described in some printed publication prior to his supposed invention or discovery thereof, or more than two years prior to his application for a patent therefor; or,

Fourth. That he was not the original and first inventor or discoverer of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country for more than two years before his application for a patent, or had been abandoned to the public.

And in notices as to proof of previous invention, knowledge or use of anything patented, the defendant shall state the names of the patentees and the dates of their patents, and when granted, and the names and residences of the persons alleged to have invented or to have had the prior knowledge of the thing patented, and where and by whom it had been used; and if any one or more of the special matters alleged shall be found for the defendant, judgment shall be rendered for him with costs. And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect."

(Fed. Stat. Anno., Vol. 7, p. 309.)

VI. AMENDMENT VII OF THE CONSTITUTION.

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise reexamined in any court of the United States, than according to the rules of the common law."

(Fed. Stat. Anno. Vol. 11, p. 494.)

VII. SECTION 4921, R. S. U. S.

"The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby; and the court shall assess the same or cause the same to be assessed under its direction. If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby

declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement: *Provided*, That this provision shall not affect pending litigation. And the court shall have the same power to increase such damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case; but in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action, and this provision shall apply to existing causes of action. And it shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the patent laws to give notice thereof in writing to the Commissioner of Patents, setting forth in order so far as known the names and addresses of the litigants, names of the inventors, and the designating number or numbers of the patent or patents upon which the action, suit, or proceeding has been brought, and in the event any other patent or patents be subsequently included in the action, suit, or proceeding by amendment, answer, cross bill, or other pleading, the clerk shall give like notice thereof to the Commissioner of

Patents, and within one month after the decision is rendered or a decree issued the clerk of the court shall give notice thereof to the Commissioner of Patents, and it shall be the duty of the Commissioner of Patents, on receipt of such notice forthwith to indorse the same upon the file wrapper of the said patent or patents and to incorporate the same as a part of the contents of said file or file wrapper; and for each notice required to be furnished to the Commissioner of Patents in compliance herewith a fee of 50 cents shall be taxed by the clerk as costs of suit."

(Fed. Stat. Anno. 1922 Supp. p. 266.)

VIII. ACT OF FEBRUARY 16, 1875, ch. 77, 18 Stat. L. 315.

"Sec. 2. That said courts,* when sitting in equity for the trial of patent cases, may impanel a jury of not less than five and not more than twelve persons, subject to such general rules in the premises as may, from time to time, be made by the Supreme Court, and submit to them such questions of fact arising in such cause as such circuit court shall deem expedient; and the verdict of such jury shall be treated and proceeded upon in the same manner and with the same effect as in the cases of issues sent from chancery to a court of law and returned with such findings."

(Fed. Stat. Anno. Vol. 7, p. 374.)

NOTE: The United States courts having jurisdiction of patent cases.

IX. ACT OF JUNE 24, 1910, ch. 423, 36 Stat. L. 851.

“An Act to provide additional protection for owners of patents of the United States, and for other purposes.”

“That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: *Provided, however,* That said Court of Claims shall not entertain a suit or reward compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.”

(Fed. Stat. Anno. Vol. 7, p. 375.)

X. ACT OF JULY 1, 1918, ch. 114, 40 Stat. L. 705.

“The Act entitled ‘An Act to provide additional protection for the owners of patents of the United States, and for other purposes,’ approved June twenty-fifth, nineteen hundred and ten, shall be, and the same is hereby, amended to read as follows, namely:

‘That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner’s remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: *Provided, however,* That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this

Act apply to any device discovered or invented by such employee during the time of his employment or service.' "

(Fed. Stat. Anno. 1918 Supp. p. 578.)

XI. EQUITY RULE 22.

"22. If at any time it appears that a suit commenced in equity should have been brought as an action on the law side of the court, it shall be forthwith transferred to the law side and be there proceeded with, with only such alteration in the pleadings as shall be essential."

END



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SPERRY GYROSCOPE COMPANY,

Plaintiff-Appellant,

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ARMA ENGINEERING COMPANY,

Defendant-Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE EASTERN DISTRICT OF NEW YORK.

BRIEF FOR DEFENDANT-APPELLEE.

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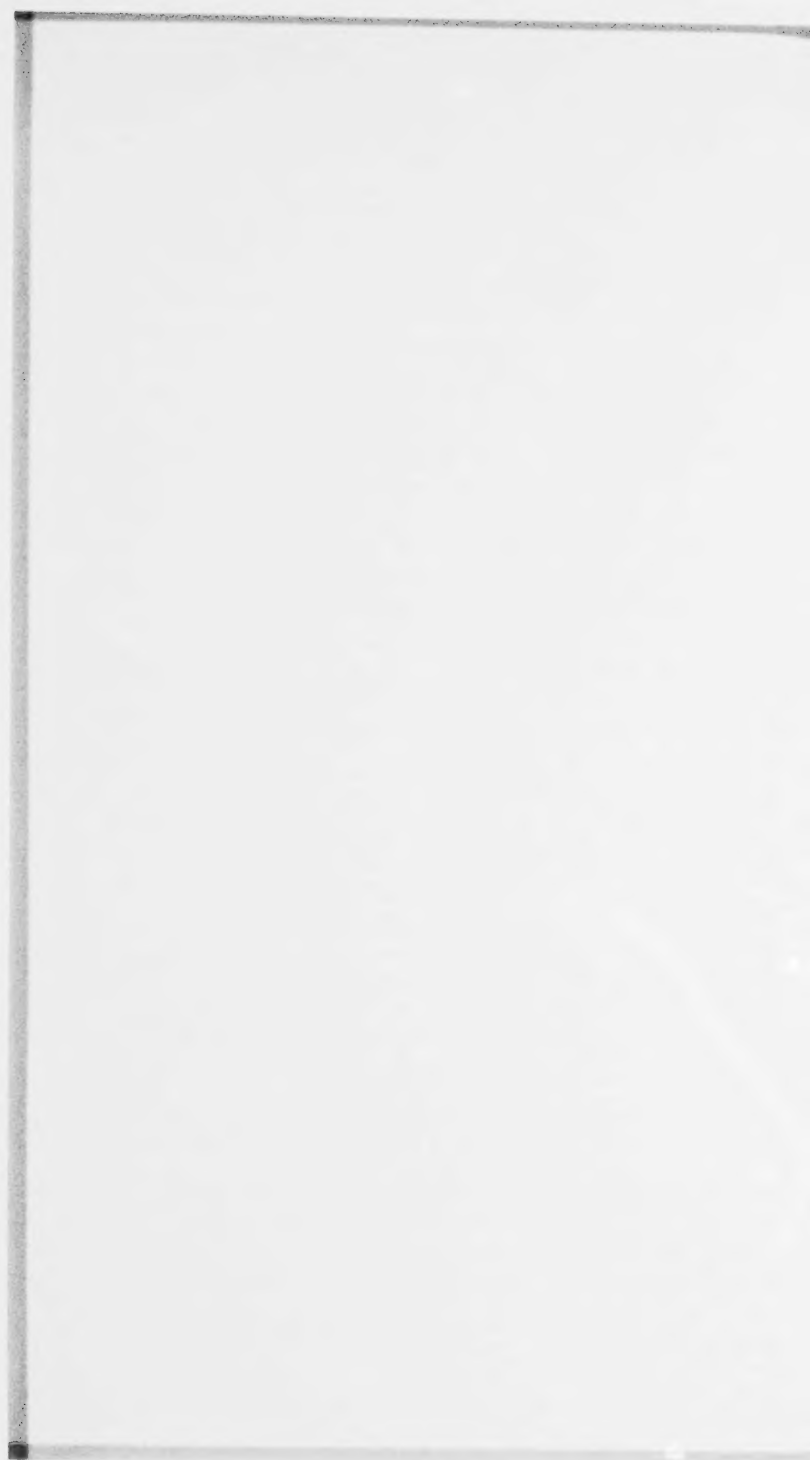
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APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE EASTERN DISTRICT OF NEW YORK.

BRIEF FOR DEFENDANT-APPELLEE.

This case is before the Court on appeal from the District Court of the United States for the Eastern District of New York under Sec. 238 of the Judicial Code, the appeal having been filed before the recent revision of that section of the Code.

The only question before this Court is whether the cause of action presented by the bill of complaint is within the jurisdiction of the District Court or within that of the Court of Claims.

History of the Case in the District Court.

The complaint in this case was filed in the U. S. District Court for the Eastern District of New York, wherein

the defendant, a New York corporation, has its principal place of business. The bill as originally filed charged infringement by the sale to the United States Navy Department of gyroscopic compasses alleged to contain the inventions of the patents sued upon. It also charged threatened infringement of the patents by offering the compasses for sale to the public generally. Then there was a third charge of unfair competition in connection with the alleged offer of sale (R., 9, par. 41).

In due course an answer was filed denying the charges of infringement, of threatened infringement and of unfair competition. The answer admitted that gyroscopic compasses had been made by defendant under contracts with the U. S. Navy and had been sold to the U. S. Navy in accordance with such contracts, but asserted that the patents were invalid and that the compasses made and sold to the U. S. Navy did not embody any invention covered by the patents on which the suit was based, and that no other compasses of any description had been made or sold. Defendant further asserted that any charge of infringement based on the manufacture and sale of these compasses to the U. S. Navy must be brought in the Court of Claims of the United States under the provisions of the Act of Congress of June 25, 1910, 36 Stat. at Large, 851, as amended July 1, 1918, 40 Stat. at Large, 705, U. S. Compiled Statutes, 1918, Sec. 9465 (R., 33, par. 11).

Following the filing of its answer, defendant presented a motion asking that the charge of infringement based on the manufacture for and sale to the U. S. Navy be stricken from the bill of complaint; that the bill of complaint be dismissed so far as concerns the alleged unfair competition; and that the bill of complaint in its entirety be dismissed for lack of jurisdiction, or, in the alternative, that the cause of action be set down for hearing on the issue of jurisdiction in advance of the trial (R., 41).

The case was heard by the District Court on this motion, and, in a well-considered opinion, the Court held that the alleged infringement by the manufacture of compasses under contract for the U. S. Navy did not constitute a cause of action of which the Court had jurisdiction and ordered that the bill be amended in accordance with defendant's motion. The Court also granted defendant's motion that the bill be dismissed with respect to the charge of unfair competition. The Court denied defendant's motion that the bill be dismissed as a whole because, in the opinion of the Court, the bill presented an action for threatened infringement by offering to sell to the public of which the Court had jurisdiction (R., 42-48).

Following this opinion, the Court, on motion of plaintiff and with the consent of defendant, ordered that the bill of complaint be dismissed with respect to the cause of action which had been held to give the Court jurisdiction, namely, the threatened infringement by offering the compasses for sale generally to the public; and it also ordered that the bill be dismissed without prejudice with respect to the cause of action for unfair competition, and that the allegation of infringement be restricted to the manufacture and sale of compasses under contract with the Navy Department (R., 48). The cause of action having been restricted thus, a final decree was entered in the District Court dismissing the bill for lack of jurisdiction of the single cause of action stated in the amended bill of complaint, namely, infringement of plaintiff's patents by defendant's manufacture of compasses for and their sale to the Navy Department under contracts with that Department and threats to continue making such contracts and executing them (R., 49).

The single question presented by this case is, therefore, whether a District Court of the United States or the Court of Claims has jurisdiction of an action charg-

ing infringement by reason of manufacture of the alleged infringing articles for and their sale to the U. S. Government under contract.

ARGUMENT.

Defendant-appellee maintains that the cause of action presented by the amended bill of complaint is a cause of action under the Act of June 25, 1910, 36 Stat. at Large, 851, as amended July 1, 1918, 40 Stat. at Large, 705, and that, under the express provisions of that Act, the Court of Claims has exclusive jurisdiction thereof.

By the Act as amended, Congress specified that certain acts of private manufacturers shall be considered acts of the Government itself, and prescribed that such acts, being acts of the Government, may be made the subject of litigation only in the Court of Claims. That, defendant maintains, is the clear and unmistakable meaning of the language employed in the Act; it cannot mean anything else; and if there were room for doubt as to the meaning of the Act, all such doubt would be removed by analysis of the changes in the wording of the original Act of 1910 made by the amendment of 1918.

Furthermore, the purpose which Congress sought to achieve by the amendment of 1918 may be determined with a degree of clarity seldom equalled, so the only question open for discussion is whether the wording of the amended Act is adequate to achieve the avowed purpose.

History of the Act.

The Act of 1910 reads as follows:

“An Act to provide additional protection for owners of patents of the United States, and for other purposes.

“Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims.”

This Act plainly by its terms created an additional remedy for the patentee. It did not alter the monopoly granted the patentee. The monopoly is determined by the language of the grant forming part of the Letters Patent, and that was not altered by the statute. The patentee had, after the passage of the Act, the exclusive right to make, use and sell the patented invention for the term of the patent to just the same extent that he had before.

Prior to the passage of the Act, the manufacture and use by the Government of a patented article was just as much an invasion of the patentee's grant of the exclusive right as it was subsequent to the passage of the Act, but as a sovereign power may not be sued without its consent, the patentee was without remedy unless there was a contract, express or implied. If there were such a contract, the patentee could sue in the Court of Claims under the general provisions of the statute (Judicial Code, Sec. 145) permitting contractors with the Government to sue in the Court of Claims for payment under their contracts.

The Act of 1910 reached this Court for the first time in the case of *Crozier vs. Krupp*, 224 U. S., 290. In that case, the Court affirmed a decree dismissing a bill of complaint brought in a Federal District Court against an officer of the Army, charging him with making for the United States guns and gun carriages alleged to contain

the patented inventions, the dismissal to be without prejudice to an action under the Act of 1910.

Subsequent to the decision in the *Krupp* case, two cases arose in the Federal District Courts wherein it was sought to prevent the prosecution of a charge of infringement brought in the District Court against a concern manufacturing for and under contract with a Government Department on the ground that the Act of 1910 permitted such a charge of infringement to be prosecuted only in the Court of Claims. Those two cases, to wit, *William Cramp & Sons vs. International Curtis Marine Turbine Co.*, 246 U. S., 28, and *Marconi Wireless Telegraph Co. vs. Simon*, 246 U. S., 46, finally reached this Court and were decided on March 4, 1918. The decision then rendered by this Court settled definitely that the Act of 1910 did not extend to infringing acts committed by contractors with the United States, and that the Federal District Courts had jurisdiction of such infringements in suits brought by the patent owners against the contractors.

In July, 1918, three months after the rendition of these decisions, Congress amended the statute to its present form to specifically include within its scope the cases which this Court had decided in the *Cramp* and *Marconi* cases were not included by implication. The Act of 1918 not only gave to the Court of Claims jurisdiction of infringements arising out of the use or manufacture by or for the United States, but also it made that jurisdiction exclusive.

The Act of 1918.

“The Act entitled ‘An Act to provide additional protection for the owners of patents of the United States, and for other purposes’ approved June twenty-fifth, Nineteen Hundred and Ten, shall be

and the same is hereby amended to read as follows, namely:

“That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner’s remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture; *Provided, however,* That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States; *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise; *And provided further,* That the benefits of this act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this act apply to any device discovered or invented by such employee during the time of his employment or service.”

This Act differs from the Act of 1910 in three important particulars.

It extends the scope of the Act from “inventions used by the United States without license of the owner” (Act of 1910) to “inventions used or **manufactured** by or **for** the United States without license of the owner” (Act of 1918).

It changes the optional remedy of the Act of 1910, *i. e.*, the "owner **may** recover," to an exclusive remedy, *i. e.*, "such owner's remedy **shall** be"; and it changes the recovery from "reasonable compensation for such use" to "reasonable and **entire** compensation for such use **and** manufacture."

The original Act of 1910 provided that a patent owner "may recover" compensation for an infringement "by suit in the Court of Claims," thereby giving him a choice of suit against the infringer in the District Court or against the United States in the Court of Claims. The amended Act of 1918 provided that the patent owner's remedy "shall be" by suit in the Court of Claims where he shall recover his "entire compensation," thereby limiting him to a single remedy. The meaning could hardly be more clear. When the wording of the amendment is contrasted with the original wording, it is apparent that the very purpose of the amendment was to put an end to the choice formerly existing and substitute for it the single remedy by suit in the Court of Claims where "entire compensation" could be obtained.

The provision of the amended Act is mandatory. The patent owner's remedy "shall be" a suit in the Court of Claims, and as it "shall be" that, certainly it may not be something else. The mandatory "shall be" is used in the 1918 amendment where the permissive "may recover * * * in the Court of Claims" occurs in the 1910 Act. If the 1918 amendment still leaves the patent owner with an election of suing either in the District Court or in the Court of Claims, it is identical with the 1910 Act in that respect and the change of wording effected by the amendment has no significance whatever.

"Shall extend," as used in Const., Art. 3, Sec. 2, declaring that the judicial power shall extend to all cases in law or equity arising under the Constitution, the laws of the United States, and the treaties made

or which shall be made under their authority, should be construed in an imperative sense. They import an absolute grant of judicial power. They cannot have a relative signification, applicable to the power already granted. They are not equivalent to the words "may extend." *Martin vs. Hunter's Lessee*, 14 U. S., 304; 1 Wheat., 304, 327; 4 L. Ed., 97; *Citizens' St. R. Co. vs. City R. Co.*, 56 Fed., 746, 747.

"Shall," as used in 13 Stat., 99, providing that suits, actions, and proceedings against any association under the act may be had in any circuit, district, or territorial courts held within the district in which such association may be established, or in any state, county, or municipal court in the county or city in which such association is located, having jurisdiction in similar cases, provided, however, that all the proceedings to enjoin the Comptroller in this act shall be had in the circuit, district, or territorial court of the United States held in the district in which the association is located, is mandatory. *Cooke vs. State Nat. Bank of Boston*, 52 N. Y., 96, 105; 11 Am. Rep., 667 (*Words and Phrases*, First Series, Vol. 7, pages 64-6).

Where the mandatory form is adopted deliberately by changing the previously existing permissive form, it cannot be argued that the two are synonymous.

Also, the 1918 amendment provides that the patent owner shall recover his "entire compensation" by suit in the Court of Claims, and if he is to receive his entire compensation there, certainly he is not to receive some further compensation in another suit in another court.

In the case at bar the compasses alleged to constitute infringement of the plaintiff's patents were "manufactured for the United States," and if the charge of infringement be sustained, the remedy provided by the statute gives the patentee "entire compensation" for the

invasion of his rights, that is, it makes him whole again. The compensation would be in such amount as would cover in full the whole of any trespass upon his rights. That is so even though the Court of Claims could not issue an injunction against the manufacturer, whereas, in a suit against the manufacturer in the District Court, such an injunction could be issued if the Court deemed it proper. The fact that the Court of Claims would not or could not issue an injunction against further infringing operations by the manufacturer contracting with the Government Department constitutes the principal basis for appellant's argument, its position being that if it cannot have an injunction, compensation in any other form would be inadequate. That is entirely wrong. This Court has held specifically that all of the remuneration to which a patent owner may be entitled by reason of any trespass upon his rights may be secured in the form of an award of money by the Court of Claims, the amount of the award being fixed with due regard for all of the facts that are worthy of consideration including the fact that further infringing operations are not enjoined. It was so held in *Crozier vs. Krupp* and in the *Cramp* case above referred to.

In *Crozier vs. Krupp* the plaintiff had brought suit against the Chief of Ordnance of the War Department and there was a stipulation in the record that no money award was sought but only the issuance of an injunction which would restrain any further infringement upon the plaintiff's patent rights. This Court denied the right of the plaintiff to an injunction and dismissed the suit, leaving the plaintiff to prosecute its claim further in the Court of Claims under the Act of 1910, and to obtain in that Court an award of money in such amount as would constitute full compensation.

In the *Cramp* case, this Court reconsidered the case of *Crozier vs. Krupp*, and commented on it in its opinion, and among other things said:

"In accordance with this ruling" (the ruling of this Court in *Crozier vs. Krupp*), "it was decided that there was no right to an injunction against the Chief of Ordnance as an individual, and the parties, if their rights had been infringed, were relegated to the compensation provided under the Act of 1910. In reaching this conclusion, the statute was critically considered principally for the purpose of determining whether the right to recover compensation which the act afforded was adequate to fulfil the requirements of compensation for rights taken as protected by the Constitution."

Thus, this Court has held specifically in two instances that the possibility of obtaining an injunction against continuance of an infringement is not an essential requisite of adequate protection for the rights of a patentee. He may secure all he is entitled to by an award of money, the amount of that award being fixed with due regard to all of the circumstances and conditions affecting the situation.

Appellant refers repeatedly in its main brief and in its supplemental brief to some *additional* protection given patentees by the 1918 amendment over and above that given by the 1910 Act, and in doing so refers to the title of the two Acts. The fact is that there is no statement anywhere in the 1918 amendment or in its title that additional protection is given patentees by it. It is only in the title of the 1910 Act that it is stated that additional protection is given patentees and the 1918 amendment merely makes certain changes in the provision for that same additional protection.

If the titles of these Acts are important, it should be noted that the title of the 1910 Act includes "and for other purposes." The amendments of the 1918 Act were directed to one of these other purposes, namely, the purpose of preventing patent owners from enjoining those who are manufacturing for the Government.

Proceedings in Congress.

If the meaning of the Act of 1918 were left in doubt after consideration of the statute itself, it would be appropriate to consider the purpose which Congress had in view in enacting the amendment of 1918. The purpose of Congress was to eliminate the possibility of obstructing, delaying or even stopping the public work of a Government Department. It was sought to remove the possibility that an injunction against a private manufacturer would prevent the Government from getting **some needed apparatus at the time** when it was wanted and when the Department counted on receiving it. It is easy to imagine conditions under which an injunction against the delivery of apparatus for which a Government Department had contracted might have tremendously serious consequences and it was for the avowed purpose of eliminating that possibility that the original Act of 1910 was amended in 1918.

This is shown to be the fact by two documents which are quoted in *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed. Rep., 718, 720-1.

When the decisions of this Court in the *Cramp* and *Marconi* cases were rendered in March, 1918, the war conditions made the Navy and War Departments of the United States purchasers of manufactured articles which might be the subject of Letters Patent in enormous quantities, and prompt delivery at the times when delivery was expected was an absolute essential. But it was made plain by the decisions in the *Cramp* and *Marconi* cases that a patent-owner would have a right of action in any District Court against a manufacturer fulfilling a contract with the Government and in such suit might even secure an injunction which would prohibit further manufacturing operations. This situation seemed to officials of the Navy Department to call for immediate legislative action, and accordingly the Assistant Secretary of the

Navy Department wrote to the Chairman of the Senate Committee on Naval Affairs, requesting that the Act of 1910 be suitably amended to preclude the possibility of the issuance of such an injunction and the consequent termination of deliveries under a contract, for it will be readily appreciated that failure of delivery in accordance with schedule under one contract might make vast quantities of apparatus delivered under other contracts temporarily useless. The Navy Department's letter reads as follows (296 Fed. Rep., 720-1):

“Navy Department.
Washington, April 20, 1918.

“My Dear Senator Tillman: This department is confronted with a difficult situation as the result of a recent decision by the Supreme Court affecting the government's rights as to the manufacture and use of patented inventions, and it seems necessary that amendment be made of the Act of June 25, 1910, entitled ‘An act to provide additional protection for the owners of patents of the United States, and for other purposes.’ The case in which the court's decision was rendered is that of William Cramp & Son's Ship & Engine Building Co., Petitioner, vs. International Curtis Marine Turbine Co. and Curtis Marine Turbine Co. of the United States, and the decision is, in effect, so far as it is of importance here, that a contractor for the manufacture of a patented article for the government is not exempt, unless he is only a contributory infringer, from injunction and other interference through litigation by the patentee.

“A prior decision of the Supreme Court, that in the case of Crozier vs. Krupp, had been interpreted as having the opposite meaning, and the department was able up to the time of the later decision, on

March 4 last, to proceed satisfactorily with the procuring of such patented articles as it needed, leaving the matter of compensation to patentees for adjustment by direct agreement, or, if necessary, by resort to the Court of Claims under the above-mentioned act of 1910. Now, however, manufacturers are exposed to expensive litigation, involving the possibilities of prohibitive injunction, payment of royalties, rendering of accounts, and payment of punitive damages, and they are reluctant to take contracts that may bring such severe consequences. The situation promised serious disadvantage to the public interests, and in order that vital activities of this department may not be restricted unduly at this time, and also with a view of enabling dissatisfied patentees to obtain just and adequate compensation in all cases conformably to the declared purpose of said act, I have the honor to request that the act be amended by the insertion of a proper provision therefor in the pending naval appropriation bill.

"The changes desired are shown in the accompanying draft of provision, which would, if inserted in the naval bill, accomplish the desired result satisfactorily to the department, and favorable consideration of this matter is urgently requested.

"Sincerely yours,

"FRANKLIN D. ROOSEVELT, Acting Sec'y.

"HON. BENJAMIN R. TILLMAN,

"Chairman Committee on Naval Affairs,

"United States Senate."

It was in response to this request of the Navy Department that the Act of 1918, amending the Act of 1910, was adopted.

When the bill for this amendment of the Act of 1910 was presented in the House of Representatives, the member of the House who had the bill in charge made the following statement (296 Fed. Rep., 721):

"This is an amendment of the patent law, and, generally speaking, it would not be appropriate on the naval appropriation bill. It makes only a slight change in the existing law, but the urgency and necessity of it was such that the Senate deemed it proper to place it on the bill. It is strongly recommended in a letter from the Acting Secretary of the Navy, Mr. Roosevelt. The existing law provides that, when the government wrongfully uses a patent, the remedy of the patentee shall be to sue the government. The conditions now are such that it becomes necessary for the government to have contracts with various private manufacturers, and for them to use these patents where disputes may arise over the use of the patent. Now, if the government itself is manufacturing, they cannot enjoin the government, but under existing law must sue in the Court of Claims for the recovery of their rights under the use of the patent. If a man makes a contract with the government to perform the work, the patentee can enjoin the private contractor and the private manufacturer from doing the government work. Now the only change that is made is to provide that the private contractor, who is doing the government work under contract with the government, shall be placed on the same basis, and shall bring suit against the government of the United States to recover certain compensation from the use of their patent, or such damage for the use of the patent, as they could recover if the government of the United States was doing the work itself. Thereby it would prevent the injunction process from the courts being used to prevent private manufacturers doing government work. That is the whole change made in the law, and the conditions are such as to require that it should be done." Congressional Record, 65th Con-

gress, 2d Session, proceedings of June 18, 1918, page 7961.

It could not be made more clear than this letter and statement make it, that the very purpose of the Act of 1918 was to make the jurisdiction of the Court of Claims exclusive in connection with claims of patent infringement in manufacturing devices for the United States under contract with one of its departments, and specifically, to do away with jurisdiction in the District Courts in suits against the manufacturers of such devices wherein writs of injunction could be issued to the great embarrassment of the business of the United States.

That the meaning of the Act of 1918 is as we have stated in the foregoing, and that the purpose in adopting it was to prevent interference with the Government in securing apparatus for its use, have been recognized by all of the Courts which have had occasion to consider the act since it was adopted.

Rulings of the Lower Courts.

There have been three adjudications under the amended Act of 1918, namely, *Foundation Co. vs. Underpinning & Foundation Co.*, 256 Fed., 374; *Floyd Smith vs. Irving*, 276 Fed., 834; and *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed., 718.

These three cases are discussed in the opinion of the District Court in the following language (R., 43-44):

“The purpose of the change shown in the Act of 1918 appears in the letters referred to in the opinion in *Wood vs. Atlantic Gulf & Pacific Co.* 269 Fed., 718. Congress intended by the Act of July 1, 1918, to put an end to suits in the District Courts in connection with apparatus made for the United States, and

"inasmuch as the sovereign could not be sued without its consent, it had a perfect right to determine in what court the action might be maintained.

"In *Foundation Co. vs. Underpinning & Foundation Co.*, 256 Fed., 374, which was a parallel case, the defendant was constructing the foundations for the United States Assay Offices, in New York City, and plaintiff alleged that in doing the work the defendant was using a caisson covered by plaintiff's patent, and prayed for a preliminary injunction.

"The question of the jurisdiction of the District Court under the Act of July 1, 1918, was raised because the work was being done under a contract with a branch of the United States Government, and the injunction was denied, thus sustaining the claim of the lack of jurisdiction, as the Act of July 1, 1918, and its affect was the only question discussed in the opinion of Circuit Judge Mayer, then a District Judge, who, at page 375, said:

'The sovereign power, therefore, which cannot be sued without its consent, has decided to protect itself by treating such a situation as that at bar as a claim, in effect, against itself for full money compensation, and has thus created, not only a cause of action against itself for reasonable compensation, but for whatever may be "entire" compensation.'

"In *Floyd Smith Aerial Co. vs. Irving Air Chute Co.*, 276 Fed., 834, defendant had manufactured certain types of parachutes for a branch of the Government, and certain other types for commercial sale, and the Court held that under the Act of July 1, 1918, it had no jurisdiction with respect to those made for the Government, and Judge Hazel, at page 839, said:

“ ‘Complainant, however, insists for an accounting as to profits and damages arising from sales to the government of the infringing apparatus, and also for an injunction as to future contracts with the government for constructions of life-packs. Such relief, however, in view of the statute and the contractual obligations assumed by the government, is not permissible. * * * The amendment of 1918, enlarging the earlier Act of 1910, clearly shows that Congress intended that the government should be left free to contract with any one for the manufacture of any article used by it, and if as a result thereof a patented invention is manufactured or used “by or for the United States without license of the owner,” such owner’s remedy is to recover a reasonable compensation for such use or manufacture in a suit against the United States in the Court of Claims.’

“Plaintiff cites *Wood vs. Atlantic Gulf & Pacific Co.*, *supra*, as sustaining its contention that the Act does not apply unless the Government has knowledge of and consents to the infringement, but I am not in accord with such finding, if applied to the case at bar, but that case is clearly distinguishable from the case at bar because in that case the manufacturer, in making the article for the Government, was alleged to have infringed by using a patented tool in his manufacturing, instead of it being alleged, as in the case at bar, that the very article which the Government bought infringed.

“I find no support for the plaintiff’s contention that there is a distinction which takes out from the purview of the statute articles manufactured by an independent contractor under contract with and sold to the Government from articles manufactured by

“an independent contractor for the Government, because purchase by the Government is ordinarily for its use and not for resale, and the statute applies to ‘use’ as well as to manufacture.

“An injunction restraining the independent contractor from manufacturing and selling to the Government under contract articles for the use of the Government, would be as detrimental to the interest of the Government as would an injunction against the Government itself, if that was possible.

“There is no attempt by the Act of 1918 to take the property of the owner of any patent without compensation, on the contrary, the Government, under the conditions set forth in the statute, has agreed that the owner’s remedy shall be by suit against the United States of America, in the Court of Claims, for the recovery of his reasonable and entire compensation for such use and manufacture.

“That the Act of July 1, 1918, was controlling in the case at bar seems to have been held by Judge Inch in this court, because on objection by the defendant he limited the interrogatories propounded by plaintiff as follows:

‘I direct that they be limited to defendant’s dealing with the general public and that defendant is not required to answer in regard to any facts relating to contracts or performance of same with the United States Government in any of its branches.’

“This Court is without jurisdiction as to the alleged infringement of the plaintiff’s patent in so far as it relates to gyroscopic compasses made and sold under contract with, and contracted to be made and sold to the United States Navy Department, and the relief asked for in the first paragraph of the defendant’s motion is granted.”

The Court below found all three of these cases to support its ruling that the Court of Claims had exclusive jurisdiction in a cause of action based on the manufacture for or use by the United States of the patented article. Appellant seeks to distinguish these cases by stating that in the *Floyd Smith case* the Government assumed the liability by saving the contractor harmless from demands and liabilities. Even if such a contract existed, it obviously has no bearing on the question of jurisdiction, for it could hardly be urged seriously that the jurisdiction of the District Court is ousted by a surety agreement between the parties where, in the absence of such an agreement the Court would have jurisdiction. The Act gives the Government no choice in the matter of primary liability, just as it gives the patent owner no choice in the matter of remedy, whenever the patented article is "manufactured for" the Government; and we have no concern with whether or not the Government requires that the manufacturer indemnify it.

In *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed., 718, the Court was dealing with a situation essentially different from that presented in this case. There the defendant had contracted with the United States to do certain dredging in a harbor or river. That was all the contract required; what apparatus the contractor might use in doing the work was left wholly to the contractor. Suit was brought in the District Court against the contractor, claiming that the apparatus used in the dredging work included a patented invention, and this claim of patent infringement was sustained by both the District Court and the Court of Appeals. Up to that point there was no consideration of the Act of 1918. Following the affirmance by the Court of Appeals, the defendant moved in the Court of Appeals for the right to apply to the District Court for a reopening of the case, and, on being granted permission, moved in the District Court for a reopening for the consideration of newly discovered evi-

dence and also because the Act of 1918 precluded adjudication of the claim by the District Court because the alleged infringement was incident to work done in accordance with a contract with the United States. Thus the situation presented, involving infringement in apparatus used by the contractor in performing the dredging operation it had contracted to perform, was radically different from that presented in the present case where infringement is alleged in the devices made for and delivered to and used by the United States.

It was in that case that the Court referred to the letter from the Assistant Secretary of the Navy to the Chairman of the Senate Committee on Naval Affairs heretofore quoted. The Court had recourse to the proceedings leading up to the passage of the Act of 1918, not because the provision of the statute making the Act an exclusive remedy was ambiguous, but because, in the case before the Court, the act complained of was not a use by the United States or the manufacture of an article by or for the United States, but was merely a use of a patented device by the contractor "for his own convenience" when under the terms of his contract he was not required to use the tool or device patented but was left free to use whatever tools or devices he might see fit to select.

Thus, in *Wood vs. Atlantic* the Court did *not* hold that the District Court had jurisdiction of the cause of action arising out of manufacture for or use by the United States, but on the contrary, held that the Court had jurisdiction only because the particular use in question was *not* "by or for the United States," but was an independent use by the contractor without the authority of the United States.

If there were any lack of harmony between the opinions in the *Foundation* case and in *Wood vs. Atlantic Co.*, it was with respect to a point which is not presented in the present case. In those cases, the contractor was at liberty to use any foundation apparatus or any dredging

apparatus he pleased; the only requirement of the Government was that the foundation should be dug and that the channel should be dredged, and what particular form of apparatus was used for the purpose by the contractor was wholly a matter of selection by him. In this case, on the other hand, the patented inventions are alleged to be embodied in the very devices which the contractor is to supply to the Government and which would be used by employees of the Government in conducting the business of the Government, so this case presents the particular situation which the proponents of the amendment of 1918 had in mind and to which that amendment was intended to apply.

These three cases referred to in the opinion of the District Court in the case at bar, are the only reported cases dealing with the Act of 1918, and this case is the first involving the interpretation of the Act to come before this Court.

In summary, therefore, it is our contention that the conclusion which must be reached is that the Act of 1918 clearly divests the Federal District Courts of jurisdiction of patent suits against manufacturers who are operating under contract with the Government, as is the case in the present instance. When the purpose of the Act and the proceedings leading up to its passage are considered, there seems to be no room for doubt on this point. The only remaining thing to be considered is the appellant's contention that the Act is unconstitutional if it accomplishes this purpose, and discussion of that forms the second of the following six points.

ARGUMENT OF APPELLANT.

On page 9 of its brief, appellant commences its argument by an outline of six paragraphs. Answering these specifically, it is the appellee's contention that:

(1) The Act of 1918 enlarges the right of action for infringement against the United States given by the Act of 1910, and in addition, specifically defines what infringements are infringements by the United States and must therefore be tried in the Court of Claims.

(2) The Act is not in violation of the Constitution because it in nowise alters the scope of the monopoly granted by the patent, but at most provides a different and in large part an additional remedy for the invasion of that monopoly.

(3) Whether or not the Government is exercising its right of eminent domain in contracting with appellee to build the compasses in question is immaterial to the validity and scope of the Act, the purpose of which is to enlarge the jurisdiction of the Court of Claims. It is in effect an extension of the privilege to sue the Government to a class of cases not embraced in the Statute originally defining the jurisdiction of that Court.

(4) The intention of the Government in committing the acts complained of is immaterial to the questions of jurisdiction and validity of the Act.

(5) What the Department of Justice might assert on the question of compensation or what the Court of Claims might decide if and when this alleged cause of action is presented in that Court, is entirely irrelevant to the question of jurisdiction.

(6) The Act applies equally to patents granted before or after its passage.

(1) **The Act of 1918 enlarges the right of action for infringement against the United States given by the Act of June 25, 1910, and in addition specifically defines what infringements are infringements by the United States and must therefore be tried in the Court of Claims.**

This has been discussed in detail in the foregoing.

(2) **The Act is not in violation of the Constitution because it in nowise alters the scope of the monopoly granted by the patent, but at most provides a different and in large part an additional remedy for the invasion of that monopoly.**

Appellant alleges that if the Act deprives the patentee of his remedy against a competitor, there is a violation of Article 1, Sec. 8, of the Constitution, providing for the grant of monopolies to inventors.

Prior to the Act of 1819, the Patent Statutes contained only provision for damages by an action at law. It was the Act of 1819 that specifically conferred upon the Federal Courts jurisdiction to grant injunctions under the Patent Laws. *Root vs. Railway Co.*, 105 U. S., 189. Yet no one would venture to say that the patents granted prior to 1819 were not monopolies or were unconstitutional grants because no remedy of injunction was provided in the Federal Courts.

Furthermore, an act *specifically providing a remedy* could not be construed as *depriving* a patentee of his remedy. The Act specifically defines the remedy where before it had not been defined. It is a change in remedy from a remedy under the general provisions of the statutes to a specific remedy and such Acts, wherever they have been challenged as unconstitutional, have invariably been held to be within the power of Congress.

Corpus Juris, in the article on Constitutional Law, 12 C. J., pages 974, 975, states the following rule as to laws dealing with remedies:

"There is no vested right to a particular remedy. A statute is not unconstitutional, therefore, merely because it changes, abolishes, or impairs an existing remedy for a cause of action that has accrued prior to the passage of the statute.

* * * * *

"In these cases, existing remedies may be modified or impaired, particular remedies may be taken away, one particular remedy may be made the exclusive one or one remedy may be substituted for another. Thus, a proceeding at law may be changed to one in equity, and, conversely, a proceeding in equity to one at law. It is not necessary that the remedy or remedies remaining be as effectual as those existing before the passage of the statute. There must remain, however, a remedy that is not merely colorable but is real and substantial

"Statutes concerning remedies are such as relate to the course and mode of procedure to enforce or defend a substantive right. Matters which belong to the remedy are subject to change and alteration, and even repeal, provided the legislation does not operate to impair a contract or deprive one of a vested property right. If the changing or repealing statute leaves the parties a substantial remedy, the legislature does not exceed its authority. *Ettor vs. Tacoma*, 228 U. S., 148."

See also: *National Surety Co. vs. Architectural Decorating Co.*, 226 U. S., 276.

Appellant also contends that a construction of the Act which provides that his *sole* remedy shall be in the Court of Claims is unconstitutional as depriving him of his property without due process of law. Again, appellant's contention is directly contrary to the express language of the Act which *provides a process of law* by which the

patentee not only receives his reasonable compensation, but *his entire compensation* for the alleged breach of his rights.

Apparently appellant's chief complaint under this heading of its argument is that the patentee had a right of injunction under the general provision of the Patent Laws of which he was deprived by the Act. Assuming this to be so, the Act is nevertheless not unconstitutional. An injunction is merely a remedy available to a patentee in a court of equity. It is to be granted "according to the course and principles of Courts of Equity, to prevent the violation of any right secured by patent on such terms as the Court may deem reasonable" (R. S., Sec. 4921).

Appellant's contention results from a failure to distinguish between the patent property and one of the incidents of that property. *Crown vs. Nye*, 261 U. S., 24, 36. An injunction is not a statutory right granted at the demand of the patentee, but on the contrary is a remedy granted according to the course and principles of equity, which means that it is granted in the sound discretion of the Court when necessary to prevent irreparable injury; or in other words, to prevent injury for which a patentee cannot be compensated.

Obviously no such condition can exist in a case arising under the Act of 1918 for the Act itself provides *entire* compensation for the infringement. The Act does not limit the scope of the patentee's remedy which before the passage of the Act rested on the doubtful ability of the contractor to adequately respond in damages and on the willingness of the Court to grant an injunction; on the contrary, the Act provides the patentee specifically with a right to entire compensation for his alleged injury from the Government itself. As we have pointed out before, the Act is merely a change in remedy provided for the express purpose of making the Government responsible for its agents so that interference with

the Government business by suits for injunctions against its agents is no longer warranted on any pretext whatsoever.

Furthermore, this Court has held in *Crozier vs. Krupp* and in the *Cramp* case (as we have heretofore pointed out, *ante*, pages 9-11), that a patent owner may secure an award in the Court of Claims in an amount which would be fixed with due regard to the fact that no injunction would be obtainable by the patent owner to prevent further use of his patent rights. Thus, he would sustain no loss by reason of not being able to obtain an injunction.

There is a further reason why the contention that the Act of 1918 is unconstitutional must fail. Patents are purely creatures of the Federal Statute. The rights conferred by patent grants and all regulations with regard thereto rest entirely on Congressional enactment. It is well settled that the power of Congress over such rights is unrestricted except by the limitations to be found in the express constitutional provision from which its authority is derived.

In *Gibbons vs. Ogden*, 22 U. S., 1, this Court said:

“The power of Congress to regulate commerce is paramount and is unrestrained except by the limitations upon its authority by the constitution. This power is ‘complete in itself and acknowledges no limitations other than those prescribed by the Constitution.’ ”

See also *Louisville & N. R. Co. vs. Mottley*, 219 U. S., 467.

Certainly the power of Congress to regulate commerce is no greater than its power to regulate patent monopolies.

The only limitation in the Constitution on the powers of Congress to legislate with regard to patents is that

the legislation shall secure "for limited times to authors and inventors the exclusive right to their respective writing and discoveries." Any Act of Congress, however it may modify existing remedies or otherwise alter the provisions of the patent law, is valid and constitutional so long as it is within the broad scope of this enabling clause of the Constitution.

Appellant urges that the Act of 1918 is unconstitutional if it makes the jurisdiction of the Court of Claims exclusive for then it deprives a patent owner of the right of trial by jury. Appellant appears to ignore the fact that the suit at bar is a suit in equity, and not a suit "at common law" to which alone the Seventh Amendment of the Constitution relates. Also appellant appears to ignore the fact that the decree from which this appeal was taken did not deny appellant the right of trial by jury but merely denied it the right of trial in a particular court.

But, turning to matters of more general import, appellant states that the constitutional provision against impairing the right of trial by jury in common law cases applies to patent cases and cites *Root vs. Railway Co.*, 105 U. S., 109, in support of that proposition. That case makes it very clear that patent cases come within this provision only because Congress has provided a legal remedy for such cases.

"And the doctrine applies in patent cases as well as others. This Court said in *Parsons vs. Bedford*, 3 Pet., 446, speaking of the meaning intended by the framers of that amendment, that 'By common law they meant what the Constitution denominated, in the 3d article, LAW, not merely *suits* which the common law recognized among its old and settled proceedings, but suits in which *legal* rights were to be ascertained and determined, in contradistinction to those where *equitable rights* alone were recognized

and equitable remedies administered.' The rule was repeated in *Fenn vs. Holme*, 21 How., 484 [62 U. S., XVI, 199], in this language: 'In every instance in which this Court has expounded the phrases, proceedings at the common law, and proceedings in equity, with reference to the exercise of the judicial powers of the Courts of the United States, they will be found to have interpreted the former as signifying the application of the definitions and principles and rules of the common law to rights and obligations essentially legal; and the latter as meaning the administration with reference to equitable as contradistinguished from legal rights, of the equity law as defined and enforced by the Court of Chancery in England.' "

But Congress did not have to provide a legal remedy to which the constitutional provision would apply, and by the same token it can withdraw the remedy in whole or in part. Under the broad scope of the enabling clause of the Constitution, Congress could have provided any remedy for infringement of the patent monopoly which it deemed would advance the sciences and useful arts. It could have provided various penalties and could have provided special tribunals to administer the penalties. The fact that it gave the right to damages in an action at law does not prevent its now withdrawing that right in certain classes of cases. It is well within its constitutional power. Patent owners could not complain if Congress had never given the right to sue at law with its attendant jury trial and they cannot now complain if Congress in the public interest takes away this remedy and gives them another which by its terms gives them "entire compensation."

Appellant's view ignores the peculiar character of patent property and the incidents of that property, as was emphasized by this Court in *Crown vs. Nye*, 261 U. S., 24, 40, as follows:

“This view ignores the peculiar character of patent property and the recognized rules for the transfer of its ownership and its incidents. Patent property is the creature of statute law, and its incidents are equally so, and depend upon the construction to be given to the statutes creating it and them, in view of the policy of Congress in their enactment. This is shown by the opinion of this Court in *Waterman vs. McKenzie*, 138 U. S. 252; 34 L. ed., 923; 11 Sup. Ct. Rep., 334, already cited, and in the line of authorities followed therein. It is not safe, therefore, in dealing with a transfer of rights under the patent law, to follow implicitly the rules governing a transfer of rights in a chose in action at common law. As Chief Justice Taney said in *Gayler vs. Wilder*, 10 How., 477, 494; 13 L. ed., 504, 511:

‘The monopoly did not exist at common law, and the rights, therefore, which may be exercised under it, cannot be regulated by the rules of the common law. It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.’ ”

3. The Right of Eminent Domain.

The Act of 1910 was referred to in the case of *Crozier vs. Krupp*, mentioned above, as an exercise of the right of eminent domain, in the respect that it provided compensation for private property taken or used by the Government. In so far as the question of eminent domain is concerned, there is no distinction between the Act of 1918 and the Act of 1910. Both provide for compensation, but not as concerns any specific act or specific and identified piece of property; they are general enact-

ments providing compensation in a certain class of cases, the amendment effected by the Act of 1918 merely enlarging the class of cases to which the Act of 1910 applied.

It does not seem to us, however, that the question of eminent domain enters into the case, beyond the broad question of the right of Congress to provide compensation for patent infringement, or in other words, whether patent infringement constitutes a claim for which the public moneys may be properly expended.

As we see it, the statute, both as originally enacted in 1910 and as amended in 1918, enlarges the jurisdiction of the Court of Claims by establishing another class of cases additional to those arising out of express and implied contracts in which the Government gives its consent to be sued.

(4) The intention of the Government in contracting for the compasses alleged to infringe is immaterial to the questions of jurisdiction of the District Court and validity of the statute.

It is to be presumed, of course, that the officials of the Government are not knowingly and designedly invading an established property right of a private citizen. The mere allegation of appellant that the patents are valid and infringed does not establish either. There is a presumption of validity which attaches to a patent by reason of its issuance, but there is no presumption whatsoever that gyroscopic compasses manufactured for the Government by the appellee contain any invention included in the patents in suit. The presumption is that the officers of the Government having to do with the purchase of compasses regarded them as non-infringing or the patents as invalid, or both, and that they are taking ~~no~~ one's property by ordering compasses from the appellee. Whether or not the contractor agrees to in-

demnify the Government or the Government agrees to indemnify the contractor has no bearing on the question of intent. If the contractor assumes the risk of a possibly successful suit for patent infringement, he is entitled to a greater compensation, whereas, on the other hand, if the Government assumes such risk, the price for the compasses would ordinarily be reduced. Otherwise the agreement between the parties on this matter is entirely without significance.

The intention of the Government with regard to the alleged infringement obviously has the same bearing on the amended Act of 1918 as it had on the Act of 1910, for if there were no distinction in the Act of 1910 between intentional and unintentional infringement in the use of certain articles by the Government, there can be no distinction between intentional and unintentional infringement by contracting for the manufacture of the articles. Otherwise we would have the absurd proposition that the *manufacture* of the article for use without intent to infringe is not actionable under the statute, whereas the *use* of the same article without intent to infringe is actionable. The Government has articles manufactured for it for use, not for sale, and the principal infringement is, of course, the use of the articles by the Government. In the *Cramp* case (246 U. S., 28, 41), dealing with the Act of 1910, this Court discussed the matter of intention in the following language:

“Observe that the right to recover by implied contract as existing prior to 1910 and the right to recover given by that act both rest upon the possession and exertion of official authority, although, from the absence of definition in the statute, the precise scope of the official power possessed in order to bring the authority into play is not specified, but is left to be deduced from the application of general principles. Observe, further, that, resting thus upon the exer-

cise of official power, it was not assumed before the Act of 1910 or under that Act, that the official authority would consciously and intentionally be exerted so as to violate the Constitution by wrongfully appropriating private property. This follows from a two-fold point of view: First, because the basis of the right to sue on implied contract is the fact that official power, recognizing the patent right and the at least implied assent of the owner, had acted in reliance upon the fact that adequate compensation would follow the taking, and second, because, in conferring the right to prove infringement, the Act of 1910 obviously contemplates the possibility of the commission of official error or mistake on that subject and afforded a remedy for its correction and resulting compensation."

The view of this Court as there expressed seems to completely dispose of appellant's contention that the Act applies only in those cases where there is intentional infringement by the Government. If the Government had built the compasses which are alleged to infringe in its own shop or had purchased them abroad so that the only ground of action was for the use of the compasses, we are confident that the appellant would be the last to take the position that in order to sustain an action under the statute it would be necessary for it to prove that the infringement was intentional. Moreover, the language of the statute says nothing about intent one way or the other. It specifies certain acts which are actionable when the claim arises out of the performance of the act quite independently of any intention.

In this connection it is noted that page 31 of appellant's brief contains the following paragraph:

"In the present case the United States appears, refusing to ratify defendant's infringement and disclaiming responsibility under the Act of 1918."

The United States never appeared in this case, or took any action in it whatsoever except that on March 1, 1926, it applied to this Court for leave to file a brief herein as *amicus curiae*; it is assumed that the appellant in the quoted statement refers to some one of the authorities in the immediately preceding portion of its brief.

Appellant's statement, on page 30 of its brief, that the Government is liable for the tort of its officer in taking property only where the act is ratified apparently relates to suits brought on the theory of implied contract, and has nothing to do with patent suits, for which special provision has been made by the Acts of 1910 and 1918. For it is certainly beyond question that "the tortious act of an officer" of the Government in using a patented invention does "create a liability on the part of the Government to pay for the same." The very purpose of the Act of 1910 was to recognize that liability and to provide for liquidating it.

Appellant urges that if the Act of 1918 be construed to permit the Government to be sued for infringement even though it merely buys the infringing article in the market and does not have it manufactured for it by an agent, the door will be opened to thousands of suits. It was not the Act of 1918 that opened the door, but rather the Act of 1910. The earlier Act gave the right to sue for mere use, regardless of intention or manner of acquisition and as articles are manufactured for this Government only for use by the Government, the number of suits to which the Government is liable is not increased by the amending Act of 1918.

(5) The possible ruling of the Court of Claims on the question of compensation is irrelevant to the question of jurisdiction.

This appeal is concerned only with the question of jurisdiction, and speculation as to what basis might be

adopted by the Court of Claims in determining the compensation to be awarded under the Act if and when the appellant brings an action in that Court and sustains its charge of infringement is idle and beside the point. The Act provides that the compensation shall not only be reasonable but shall be "entire." In adding "entire" to the statute as previously drawn, Congress evidently had in mind giving the patentee compensation commensurate with the entire invasion of his rights—not merely a reasonable compensation for the use, but an entire compensation for his damage, however sustained. It is reasonable to suppose that Congress intended to provide for greater compensation than he would be entitled to under the Act before the amendment, although the loss to the patentee is precisely the same whether the infringing articles are built by the Government in this country or obtained from abroad or are built by an agent of the Government under contract.

The purpose of the statute is quite evident. It was the aim of Congress, in making the remedy in the Court of Claims exclusive, to insure the patentee full, complete and adequate remedy equal in its final results to the remedy which the patentee had previously enjoyed in that class of cases added to the statute by the Act of 1918. We believe that when this question comes to be reviewed by this Court, it will so rule, but the sole question now before the Court is the question of jurisdiction, and that jurisdiction, as we have pointed out above, is exclusive by the terms of the Act and the Act is valid and constitutional whether or not the remedy provided be considered by some particular patent owner to be as desirable as before.

(6) The Act applies equally to patents granted before and after its passage.

It is not material when the patents were granted. The date of the grant of the patent is nothing more than the

date the property was acquired by the plaintiff or his predecessor in ownership. The patents do not of themselves prescribe any particular right of action in the patentee or any particular remedy or any particular Court in which the remedy is to be sought. The only date relevant so far as the date of the passage of the Act is concerned is the date when the cause of action arose and that date with regard to all the patents is subsequent to the passage of the Act.

It might as well be said that an Act increasing the rate of taxation does not apply to a piece of property purchased before the Act, but does apply to property acquired thereafter. As we have said before, the scope of the grant is defined by the patent itself, whereas the remedy for enforcing the rights so conferred is under the absolute authority of Congress and may be changed at will by that body so long as an adequate right of action for invasion of the monopoly remains.

Appellant implies in its brief (page 39) that a change of remedy impairs the so-called patent contract. The constitutional prohibition against impairment of the obligation of contracts (Sec. X, Art. I) does not apply to the Federal Government, nor does it apply to cases where the impairment is indirect and results from lawful exercise of the powers of Congress. *Knox vs. Lee*, 12 Wall., 457. In this instance, however, there is no impairment of the obligation of the contract. The contract is the grant and the grant provides that the patent owner has the "exclusive right to make, use and sell." This contract right has not been altered. It was recognized that this right might be invaded and the Government agreed impliedly that there should be a remedy. But it never defined the remedy in the grant. The patent owner still has his remedy, namely, recovery of his "entire compensation" from the Government by suit in the Court of Claims.

CONCLUSION.

In the foregoing, we have discussed briefly certain matters urged by appellant which we believe to be unimportant, such as the intention of the Government in procuring the apparatus; the jurisdiction of the Court of Claims; and the question of eminent domain.

We have refrained from discussing certain irrelevant matters and matters which are not supported by the record and which are discussed by appellant as though they were established facts, such as the alleged piracy of appellant's patent rights by appellee, the development of appellant's business, and the nature or amount of its alleged injury.

It has been our purpose to confine ourselves strictly to the two questions which the case presents, namely, first, does the word "shall" in the Act of 1918 mean the same as "may" in the Act of 1910, so as to give the patent owner a choice of two remedies, and second, if the jurisdiction of the Court of Claims is made exclusive by the Act of 1918, is that Act constitutional?

Respectfully,

DEAN S. EDMONDS,
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Counsel for Defendant-Appellee.

New York, N. Y., April 5, 1926.

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In the Supreme Court of the United States

OCTOBER TERM, 1925

No. 239

SPERRY GYROSCOPE COMPANY, APPELLANT

v.

ARMA ENGINEERING COMPANY

*ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE EASTERN DISTRICT OF NEW YORK*

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

OPINION BELOW

The opinion of the United States District Court (R. 42) is not reported.

JURISDICTION

The judgment of the United States District Court was entered October 9, 1924. (R. 49.) Direct appeal to this Court was taken December 30, 1924. (R. 49.) The judgment of the District Court provided "that the bill of complaint be and the same is hereby dismissed for lack of jurisdiction." Direct appeal to this Court was evidently taken on the theory that it was authorized by Sec-

tion 238 of the Judicial Code as it stood prior to the Act of February 13, 1925, and which provided that appeals might be taken from District Courts direct to this Court—

In any case in which the jurisdiction of the court is in issue, in which case the question of jurisdiction alone shall be certified to the Supreme Court from the court below for decision * * *.

It is far from clear that the jurisdiction of the District Court, in any proper sense, was at issue. The question was not, as stated in the appellee's brief, whether a District Court of the United States or the Court of Claims has jurisdiction of the cause of action presented by the bill of complaint. The Court of Claims could have no jurisdiction over a suit against a private corporation. The real question is not, properly speaking, one of jurisdiction, but whether the appellant (plaintiff below) has a cause of action against the appellee (defendant below) enforceable in any court, the contention of the latter being that the Act of July 1, 1918, providing that when a patented article is manufactured for the United States without license from the owner of the patent the latter's remedy shall be by suit against the United States in the Court of Claims, operated to exclude any recovery against a contractor manufacturing a patented article for the United States. In other words, the District Court held, in substance, that the plaintiff had no cause of action against the Arma Engineering Com-

pany because the cause of action had been taken away by the United States under the power of eminent domain.

In principle, this case, so far as jurisdiction is concerned, is like that of *Louie v. United States*, 254 U. S. 548, where the Court held that the question was not really one of jurisdiction, but went to the merits, and that a direct appeal to the this Court was unauthorized.

The United States District courts have jurisdiction over suits arising under the patent laws, other than suits against the United States. If the District Court in this case could not allow recovery to the plaintiff, it was not through want of jurisdiction over the parties or the subject matter, but because no cause of action existed in favor of the plaintiff and against this defendant on account of the manufacture of patented articles for the United States, which could be enforced in *any* court.

STATEMENT

This suit was brought in July, 1923, in the United States District Court for the Eastern District of New York by the Sperry Gyroscope Company, a corporation, against the Arma Engineering Company, a corporation, to enjoin the latter from manufacturing and selling the gyroscopic apparatus claimed to infringe patents owned by the Sperry Company, and to recover damages and profits on account of prior infringements. As originally

drawn, the bill of complaint covered the manufacture and sale of the alleged patented apparatus not only to the United States but to others.

By amendments to the bill of complaint (R. 48), the scope of the action was finally limited to a claim for damages or profits on account of the manufacture and sale by the defendant of gyroscopic compasses for the United States Navy Department under contract with said Department, the allegation being "that the defendant * * * without the license * * * of plaintiff * * * made a number of gyroscopic compasses for and sold them to the United States Navy Department under contract with the said Navy Department * * * during the years 1918 to 1923, all in infringement of the aforesaid Letters Patent." The contract between the United States and the Arma Engineering Company is not set forth in the record, and it does not appear whether that contract contained any provision to the effect that the Arma Engineering Company should indemnify and protect the United States against claims arising under patents. It will be noted that the complaint alleges that the defendant manufactured and sold the gyroscopic compasses to the Navy Department during 1918, but it does not appear whether the compasses were delivered to the United States before or after July 1, 1918. There is no allegation in the bill of complaint, and nothing in the record, to show that the contract specifications for the compasses were such that a performance of

the contract necessarily involved an infringement of the patents, or that the contractor might not have performed his contract by delivering gyroscopic compasses which did not infringe. The case was disposed of by the District Court on bill, answer, and some answers to interrogatories.

STATUTES INVOLVED

The Act of June 25, 1910 (Chap. 423, 36 Stat. 851), is as follows:

An Act to provide additional protection for owners of patents of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: Provided, however, That said Court of Claims shall not entertain a suit or reward compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States: Provided further, That in any such suit the United States may avail itself of any and all defenses, general or special, which might be

pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further*, That the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.

The Act of July 1, 1918 (Chap. 114, 40 Stat. 704, 705), provides:

The Act entitled "An Act to provide additional protection for the owners of patents of the United States, and for other purposes," approved June twenty-fifth, nineteen hundred and ten, shall be, and the same is hereby, amended to read as follows, namely:

"That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: *Provided, however*, That said Court of Claims shall not entertain a suit or award compensation under the provisions of this

Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further*, That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further*, That the benefits of this Act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service."

SUMMARY OF ARGUMENT

The Act of June 25, 1910, merely waived the immunity of the United States from suit on claims of a patentee for infringing use by the United States and did not affect the liability to the patentee of others who manufactured infringing articles for the United States. The Act of July 1, 1918, made a radical change, in that it took from the patentee, under the power of eminent domain, his cause of action against one who manufactures infringing articles for the United States and, by way of compensation placed on the United States the entire liability for the infringing manufacture for, as well as the use by, the United States. To

be a "manufacture for" the United States within the meaning of the Act of 1918, so as to place the liability on it and release its contractor, it must appear that the performance of the contractor's agreement to make and deliver articles to the United States necessarily involved infringement.

If the contract may be performed without infringement, the contractor may not by either conscious choice or ignorance or inadvertence make an infringing article and place the liability for infringing manufacture on the United States and relieve himself from it. In this case the record does not show that the contractor was required by his contract to make and deliver to the United States compasses infringing the appellant's patents, and so far as the record shows it may have been possible for the contractor to comply with his contract by furnishing compasses which did not infringe, and, therefore, liability for the infringing manufacture was not shifted to the United States, and the complaint stated a cause of action.

ARGUMENT

I

THE PROPER CONSTRUCTION OF THE ACT OF JULY 1, 1918

The Act of 1910 did not provide for the assumption by the United States of any liability to a patentee for infringement incurred by those who manufactured patented articles for and sold them to

the United States, nor did it relieve the contracting manufacturers from liability to the patentee for infringing manufacture and sale. It made the United States liable only for the infringing *use by* the United States, for which no other persons would be liable to the patentee in any event. It therefore clearly provided an additional protection to the patentee by waiving the immunity of the United States from suit, and allowing the patentee to enforce against the United States a liability that the United States alone incurred.

The Act of July 1, 1918, made a radical change. While the Act of 1910 recited that it provided "additional" protection for patents, the Act of 1918, while referring to the Act of 1910 as an Act to provide additional protection for patentees, contains no assertion that it—the Act of 1918—has any such purpose, and there is in it no suggestion, through the use of words reciting an intent to provide additional protection, that the patentee was to retain his rights or remedies against those who manufactured infringing articles for the United States.

The Act of 1918 provides that if a patented invention is manufactured or used *by* the United States the latter shall be subject to suit. For such an infringement the United States alone would be liable in any event, and in this respect the statute differs only from the Act of 1910 in waiving immunity of the United States from suit for in-

fringement resulting from the *manufacture by* as well as the *use by* the United States—an addition of no practical importance.

The Act of 1918, however, also provides that the United States shall be liable if the patented invention is, without a license from the patentee, manufactured, *for* the United States by others. In this respect the Act is more than a waiver of immunity. It effects an assumption of liability and an obligation to pay, for infringements, liability for which would otherwise rest on others.

It goes one step further and makes the remedy against the United States exclusive, and creates an immunity from suit in favor of the contractor or third party, who has made the infringing device for the United States.

The statement that “such owner’s remedy shall be by suit against the United States,” under familiar rules of construction, excludes the idea of any remedy against any one other than the United States, and excludes the idea of a remedy by injunction against the United States.

This idea is further driven home by the statement in the Act that from the United States the patentee shall recover his “entire compensation for such use and manufacture.” To say that this language shows an intention to give the patentee the option to recover either from the United States or from its contractor damages for the manufacture of infringing devices by the contractor for the

United States is to disregard the plain meaning of words.

The effect of the statute, therefore, is an expropriation by the United States, under the power of eminent domain, of any cause of action which the patentee might have against the contractor who manufactures for the United States with a provision for awarding compensation for such taking, in a suit against the United States in the Court of Claims. This amounts to a taking by the United States not only of a license under the patent for use by it of the infringing article, but a free license in favor of the contractor to manufacture the infringing article for the United States, compensation for such taking to be paid by the United States, upon being fixed by the Court of Claims.

It is not necessary, where such an exercise of the power of eminent domain occurs, that compensation should be paid in advance of or simultaneously with the taking. *Crozier v. Krupp*, 224 U. S. 290.

There is no substance to the contention that the taking of property without providing for an award of compensation by a jury, as distinguished from a court, is a violation of the Federal Constitution.

The Act of 1918 covers cases where an invention is "used or manufactured by or for the United States." It plainly covers a use by the United States and the manufacture by or for the United States. Whether it covers a case of a patented device or tool used for the United States by a

contractor in doing work for the United States, or in manufacturing unpatented devices for the United States, is not clear. *Wood v. Atlantic Gulf & Pacific Co.*, 296 Fed. 718, 719. That question may be laid aside in this case, because not presented by this record.

A patent protects the patentee in the fields of manufacture, sale and use. The Act of 1918 makes the United States liable in money damages for *use by* it, and for the moneys ordinarily recoverable from an infringing manufacturer, where patented devices are *manufactured for* it. It definitely excludes liability on the United States where the latter buys infringing patented devices which have not been specially manufactured for it, because the Act of 1918 does not cover the sale to the United States of infringing devices, except in those cases where the devices are "manufactured for" it. This case presents only a situation where patented devices were manufactured for the United States.

It remains only to consider when a device is manufactured for the United States within the meaning of the Act of 1918, and whether liability is shifted to the United States by that Act in the case of the manufacture of infringing patented devices for the United States, where the United States may not have intended an infringement.

The appellant contends that because the Act of 1918, as well as the Act of 1910, amounted to an exercise of the power of eminent domain, the ex-

ercise of that power will not be presumed, in the absence of an intention to exercise it.

In *Crozier v. Krupp*, 224 U. S. 290, it appeared that Crozier, as Chief of Ordnance, was engaged as an officer of the United States in directing the manufacture by the United States of guns embodying patented inventions. The United States was, in fact, the manufacturer. The point was made that as the United States was the principal, and Crozier only its officer, the suit was one against the United States. That point was laid aside as unnecessary for decision. The Court held that the Act of 1910 amounted to an appropriation by the United States of a license to use in any case where it in fact used a patented invention, and that the remedy of the patentee, so far as concerned *the use by the United States*, was against it in the Court of Claims. No point was made as to whether the United States was liable unless it intentionally infringed or thought it was infringing, and the case proceeds on the theory that if there was in fact a use by the United States of an infringing device, the question whether it consciously infringed in the sense of knowing it was using a patented device, was immaterial. The opinion does not justify any other conclusion.

In *Cramp & Sons v. Curtis Turbine Company*, 246 U. S. 28, Cramp made a contract with the United States to build destroyers according to detailed plans and specifications. The contract con-

tained the express provision that the contractor would hold the United States harmless from all liability to patentees on account of the *use* of any patented invention, article, or appliance. The case involved patents on the turbine engines installed in the destroyers. The suit was against Cramp & Sons, who did not use the patented device, but manufactured and sold it to the United States, and as the Act of 1910 only imposed liability on the United States for use by it and left its contractor liable to the patentee for manufacture and sale, it was quite evident that there was nothing in the Act of 1910 which prevented the patentee from recovering damages against Cramp & Sons for the manufacture and sale of the patented device. Cramp contended that by virtue of the Act of 1910 the United States had acquired, under the right of eminent domain, a license to use the patented turbines and that Cramp & Sons had merely built the articles for one licensed to use them, and therefore the manufacture and sale in effect were licensed. This was obviously untenable, as the license of one person to use does not protect another who manufactures and sells to the licensee.

Recognizing that a patent covers the exclusive right to manufacture, use, and sell, and that each one of these acts may constitute an infringement, all that the Court decided, or intended to decide, in the *Cramp* case was that the Act of 1910, which made the United States liable to the patentee for its unlicensed use of a patented article, and which

act effected only a waiver by the United States of immunity from suit, did not operate to relieve others who manufactured or sold the article to the United States from liability for the infringement of the patentee's exclusive right to manufacture, use and sell.

In *Marconi Wireless Telegraph Company v. Simon*, 246 U. S. 46, the wireless company brought suit to enjoin Simon from making delivery to the United States of wireless transmitters alleged to be covered by its patents. It was not made clear by the record that the making of the wireless sets was in and of itself an infringement. The Court said that if it had appeared that the making of the sets was in and of itself an infringement, Simon would not have been protected by the Act of 1910. It sent the case back to the lower court because of uncertainty as to whether the manufacture was in and of itself an infringement of the patents.

The correct view, and one consistent with the decisions of this Court, is that there is a "manufacture for" the United States within the meaning of the Act of July 1, 1918, and a taking by it, under the power of eminent domain, of rights under a patent, where the performance of the contract between the contractor and the United States to manufacture articles for the United States necessarily involves an infringement of a valid patent. Where the contract specifications make it impossible for the contractor to fulfill his contract and at

the same time avoid infringement, liability rests on the United States and the contractor is relieved. To hold otherwise would defeat the very purpose of the amendment effected by the Act of 1918, and disclosed by the Congressional Record.

It will be noted that the Act of 1918 provides that in any suit against the United States it may avail itself of any and all defenses that might be pleaded by any defendant in an action for infringement, which leaves it open to the United States to deny infringement and to deny the validity of the patent. The giving of authority for the assertion of these defenses is wholly inconsistent with the idea that the United States only shoulders liability where it intends to infringe a patent believed by it to be valid, because if that were the meaning of the Act of 1918 the defense of non-infringement or invalidity of the patent never would be asserted.

The only real question as to the meaning and effect of the Act of 1918 arises where the contractor who agrees to manufacture and deliver a certain device to the United States, may be able to fulfill his contract either by manufacture and delivery of a non-infringing device or by the manufacture and delivery of an infringing device. In such a case, it may well be said that an infringing device is not "manufactured for" the United States within the meaning of the Act of 1918. If the contractor has the choice of infringing or not infringing a patent in the fulfillment of his contract with the United

States, it is reasonable to suppose that it was not the intention of the Act of 1918 to allow the contractor to make a choice at the expense of the United States. This subject was discussed in *Wood v. Atlantic Gulf & Pacific Company*, 296 Fed. 718. The court, after considering whether the Act of 1918 intended to rest liability on the United States for the "use for" the United States of a patented device by the contractor in the performance of work for the United States, at page 722, said:

I can readily understand how the government should provide that, where it calls for the use by the contractor in doing work for it of a patented article, it should be willing to pay damages to the patentee because it had required the use of the patented article in doing the work. I cannot understand how the government would be willing to pay such damages as the patentee might suffer by the unauthorized use by an independent contractor, without any knowledge on the part of the government or any requirement of the government that such patented article should be used in the performance of the work, any more than the government would be willing to pay for damages suffered by employees of an independent contractor who were injured in the performance of the work of such independent contractor, unless the government directed the doing by such employee of the thing which brought about his injury.

When the government knows and obliges the contractor to use the patented article, of course the government should be willing to pay; but it will be going entirely too far to say that, because any independent contractor for his own convenience saw fit to use the patented article in doing government work, the government should pay for such use by him, when they did not know he was using it.

That a contract provision respecting liability of the contractor or of the United States for infringement of patents, or providing that liability to the patentee for such manufacture shall be borne by the contractor, can affect the operation of the Act of 1918 is not apparent. If the performance of the contract with the United States necessarily requires a manufacturer to manufacture and furnish an infringing article, it would seem that, under the statute, liability to the patentee rests only on the Government, and if there be a valid covenant by the contractor to protect the United States against claims of infringement, that operates merely as an indemnity contract under which the United States could recoup itself for damages recovered against it in the Court of Claims under the Act of 1918. That again is a question which may be laid aside, because not presented by this record, as the agreement is not in the record.

The conclusion should therefore be that, in the case of devices manufactured for the United States

by one contracting with it so to do, liability for infringement by manufacture and sale, as well as by use, rests exclusively on the United States under the Act of 1918, if the performance of the contract necessarily requires an infringement, but not so if the contract may be fulfilled by the manufacture and delivery of a noninfringing article, but the contractor, for reasons of his own, chooses to infringe or does so unwittingly.

It is only necessary to add that the Act of 1918 is prospective in its operation. It would be so construed without any express provision in it, but it contains the provision that the Court of Claims shall not entertain a suit or award compensation against the United States where the claim is based on the use or manufacture by or for the United States "of any article heretofore owned, leased, used by, or in the possession of the United States."

The Act covers the case of devices in the possession of the United States after its passage, but not those owned, used or possessed by it prior to its passage.

The Act of July 1, 1918, has been considered in the following cases:

Foundation Co. v. Underpinning & Foundation Co. (S. D. N. Y.), 256 Fed. 374;

Floyd Smith Aerial Equipment Co. v. Irving Air Chute Co. (W. D. N. Y.), 276 Fed. 834;

Isherwood v. Newport News Shipbuilding & Dry Dock Co. (E. D. Va.), 289 Fed. 282, 289. Same case on appeal, 5 F. (2d) 924, 933;

Wood v. Atlantic Gulf & Pacific Co. (S. D. Ala.), 296 Fed. 718;

Luellen Railway Artillery, Inc. v. Pullman Co. (N. D. Ill., E. D.). Unreported opinion printed as an appendix hereto.

II

APPLICATION OF THE ACT OF JULY 1, 1918, TO THE FACTS OF THIS CASE

The amended complaint (R. 48) alleged that "during the years 1918 to 1923" the defendant made and sold to the United States infringing gyroscopic compasses. It does not definitely appear whether these compasses were in the possession of the United States before or after July 1, 1918, the date of the passage of the Act here to be applied. If any infringing compasses were delivered to or in the possession of the United States prior to July 1, 1918, the question of liability for infringement by their manufacture and sale is to be determined by the Act of 1910 and not by the Act of 1918, and under the Act of 1910, which only gave a right to assert a claim against the United States for its use, and left its contractor liable for infringing manufacture and sale, a cause of action exists against the defendant.

Having in mind the rule as to the burden of proof, it is probably true that the complaint in this respect stated no cause of action against the defendant, Arma Engineering Company, under the Act of 1910. It fails to show, with reasonable certainty, that some of the infringing compasses were used by or in the possession of the United States prior to July 1, 1918. For all that appears from the allegation in the complaint quoted above, all of the compasses manufactured and sold to the United States in 1918 may have been delivered to it after July 1, so that in this respect the complaint does not bring the case under the Act of 1910.

The next question is whether the record shows that the contract between the Arma Engineering Company and the United States necessarily required in its performance the manufacture and delivery of infringing gyroscopic compasses. It is alleged that the compasses which were manufactured and delivered, in fact infringed the plaintiff's patent. The contract with the United States and specifications are not in the record, and there is nothing in the record to show that the Arma Engineering Company could not have fulfilled its contract without infringing the patents. For all that appears in the record, gyroscopic compasses might have been manufactured and delivered in full compliance with the contract without infringing.

If we are right in the view that the Act of 1918 does not place liability on the United States, where infringement is not necessary in the performance of a contract, but where the contractor, for reasons of his own, chooses to infringe, or does so in ignorance or inadvertently, it follows that the Act of 1918 does not fix liability on the United States in this case and relieve the Arma Engineering Company from liability for infringing manufacture and sale, and in that view of the case the court erred in dismissing the bill of complaint.

CONCLUSION

The question decided by the District Court is not one of its jurisdiction, but whether the plaintiff has a cause of action against the defendant in any court, and consequently the case is not one in which a direct appeal was permitted by Section 238 of the Judicial Code, as it stood prior to the Act of February 13, 1925.

If the Court concludes, however, that it has jurisdiction, the judgment below should be reversed, on the ground that, for all that appears in the record, the Arma Engineering Company chose to infringe for reasons of its own when an infringement was not necessary to the performance of its contract with the United States, and by the Act of 1918 it was not intended to impose on the United States liability for infringing manufacture by others, and release those contracting with it for the manufacture

and sale of articles for its use, unless an infringement necessarily results from the performance of the contract.

Respectfully submitted.

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APRIL, 1926.



APPENDIX

IN THE DISTRICT COURT OF THE UNITED STATES,
NORTHERN DISTRICT OF ILLINOIS, EASTERN
DIVISION

Luellen Railway Artillery, Inc., v. The Pullman
Company, in equity No. 3589

MEMORANDUM

All that the Government grants to a patentee and protects is the power to exclude others from making, using, and vending, during the grant of seventeen years. (*Crown Co. v. Nye Tool Works*, 261 U. S. 24, 34; *Continental Paper Bag Co. v. Eastern Paper Bag. Co.*, 210 U. S. 405.)

The Government in the exercise of the power of eminent domain may take for public use all or a part of the right conferred by the patent by making provision for just compensation. (*Crozier v. Krupp*, 224 U. S. 290.)

When the Government thus appropriates to its use the right conferred by a patent, or a part thereof, and exercises it through one who is manufacturing for the United States, the one so manufacturing acts under the protection of the right theretofore appropriated. In such a case there can be no infringement by the manufacturer within the meaning of Section 4921, R. S. The profits recoverable by patentee under Section 4921, R. S., are not necessarily all the profits realized by the in-

fringing manufacturer on his product; they are the profits created by the use of the patentable part or feature. (*Westinghouse Co. v. Wagner Mfg. Co.*, 225 U. S. 604, 615; *Garretson v. Clark*, 111 U. S. 120.)

When the Government makes a contract which involves the manufacture or use for Government purposes of a patented invention with one who is not the patentee, it must be assumed that it was within the contemplation of the parties that the Government has appropriated to its own use the right granted by the patent, or such portion thereof as was necessary for the purposes of the contract, and that the contract was framed on that basis. Any other assumption involves an imputation of bad faith and dereliction of duty to those acting for the Government.

The Act of July 1, 1918 (40 Stat. 704), provides for entire compensation for the right appropriated by the Government, and is, therefore, valid. (*Crozier v. Krupp*, supra.)

The bill is dismissed for want of jurisdiction.

(Signed)

J. H. WILKERSON,

United States District Judge.

16 JUNE, 1924.



SUPREME COURT OF THE UNITED STATES.

No. 239.—OCTOBER TERM, 1925.

Sperry Gyroscope Company, Appellant,	} Appeal from the District Court of the United States for the Eastern District of New York.
<i>vs.</i>	
Arma Engineering Company.	

[May 24, 1926.]

Mr. Justice McREYNOLDS delivered the opinion of the Court.

Appellant brought suit against the Engineering Company, in the United States District Court for the Eastern District of New York, for damages, profits, etc., on account of the manufacture by it of gyroscopic compasses, covered by patents, for the United States; also for an injunction against further infringements. The allegation which demands special consideration follows—

That the defendant, well knowing the premises but with intent to injure the plaintiff, to interfere with its business and to deprive it of the profits derived and to be derived from making, using and selling said inventions, has, within the Eastern District of New York and without the license or consent of plaintiff but against its positive protest, made a number of gyroscopic compasses for and sold them to the United States Navy Department under contract with the said Navy Department, subsequent to the dates of said patents and within six years next preceeding the filing of this complaint, to wit: during the years 1918 to 1923, all in infringement of the aforesaid Letters Patent; and that defendant is preparing and threatening to infringe said patents more extensively by the manufacture of said infringing apparatus for and its sale to the United States Navy Department under contract with the said Department and thus to inflict further injury, damage and loss upon the plaintiff; but to what extent the defendant has profited by reason of the aforesaid infringement, plain-

tiff is ignorant and cannot set forth and prays an account thereof.

The contract with the United States is not set forth. Whether it undertook to protect them against claims arising under appellant's patents, or whether the compasses were delivered before or after July 1, 1918, or whether the arrangement necessarily involved an infringement of the patents, does not appear.

The trial court dismissed the bill for lack of jurisdiction, and granted this direct appeal December 30, 1924. Such appeals were permitted by § 238 Judicial Code—"in any case in which the jurisdiction of the court is in issue, in which case the question of jurisdiction alone shall be certified to the Supreme Court from the court below for decision." We are, now, concerned only with the power of the trial court to decide the controversy revealed by the record.

Under § 24 Judicial Code district courts have original jurisdiction—"Seventh. Of all suits at law or in equity arising under the patent, the copyright, and the trade-mark laws." Appellant charged that the Engineering Company had infringed its patents by making and selling compasses to the United States, under contract, during the years 1918 to 1923, and intended further to infringe by continuing so to do. It asked for damages and an injunction. But for the allegation that the inventions were made and sold under such a contract, this would be but the ordinary patent suit. And so the real question presented is whether that allegation was enough to deprive the District Court of the jurisdiction plainly conferred by § 24.

The Act of June 25, 1910, c. 423, 36 Stat. 851, "to provide additional protection for owners of patents," directed: "That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims."

The Act of July 1, 1918, c. 114, 40 Stat. 704, 705, amended the Act of 1910 to read—

That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the

owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: Provided, however, That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: Provided further, That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise; And provided further, That the benefits of this Act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service.

The argument is that the Act of 1918 deprived the District Court of jurisdiction over the controversy between the present parties because it limited the patent owner's remedy, under circumstances like those here disclosed, to a suit against the United States in the Court of Claims. But we think this contention goes to the merits of the matter, and not merely to the question of jurisdiction. The true intent and meaning of the statute is not free from doubt; but certainly there is nothing therein which shows any clear purpose to take away the power to decide. It became the duty of the court below to consider and determine whether, in the circumstances stated, appellee was relieved of liability and permitted by the statute to do what otherwise would have constituted a violation of appellant's rights. There was jurisdiction. The judgment below must be reversed and the cause remanded for further proceedings in conformity with this opinion. See *The Pesaro*, 255 U. S. 216; *Smith v. Apple*, 264 U. S. 274; *Smyth v. Asphalt Belt Ry.*, 267 U. S. 326.

Reversed.